



Kentwood Public Schools Kentwood, Michigan

Financial Statements and
Supplementary Information
Year Ended June 30, 2016

Kentwood Public Schools
Kentwood, Michigan

Financial Statements and Supplementary Information
Year Ended June 30, 2016

Kentwood Public Schools Kentwood, Michigan

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**Kentwood Public Schools
Kentwood, Michigan**

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Independent Auditor's Report

Board of Education
Kentwood Public Schools
Kentwood, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Kentwood Public Schools (the District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements.

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

Auditor's Responsibility

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

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

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



Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2016, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 12 to the basic financial statements, the District implemented Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application*. Our opinions were not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 7 through 14 and the Schedules of the District's Proportionate Share of the Net Pension Liability and Contributions on pages 46 and 47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual fund financial statements and schedules, and schedule of expenditures of federal awards (SEFA), as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) are presented for purposes of additional analysis and are not a required part of the basic financial statements.



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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2016 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

BDO USA, LLP

Kalamazoo, Michigan

October 24, 2016

Kentwood Public Schools Kentwood, Michigan

Management Discussion and Analysis

The following discussion and analysis provides an overview of the financial position and activities of Kentwood Public Schools (the District) for the year ended June 30, 2016. This is a requirement of the Governmental Accounting Standards Board Statement No. 34 (GASB) *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* and should be read in conjunction with the District's financial statements, which follow this section.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Kentwood Public Schools financially as a whole. The District-wide Financial Statements provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a long-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the District's operations in more detail than the government-wide financial statements by providing information about the District's most significant funds, the General Fund and the 2016 Building and Site Fund, with all other funds presented in one column as Other Nonmajor Funds. The remaining statement, the statement of fiduciary assets and liabilities, presents financial information about activities for which the District acts solely as an agent for the benefit of students and parents.

For the year ended June 30, 2016, The District implemented Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application*.

Reporting the District as a Whole - District-Wide Financial Statements

The District-wide statements, the statement of net position, and the statement of activities provide a perspective of the District as a whole and include all assets and liabilities, using the accrual basis of accounting, which is similar to the type of accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report Kentwood Public Schools' net position - the difference between assets and liabilities, as reported in the statement of net position - as one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position, as reported in the statement of activities, are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the District's operating results; however, the District's goal is to provide services to our students, not to generate profits as commercial entities do. Many other non-financial factors, such as the quality of the education provided and the safety of the students and schools, must be considered to assess the overall health of the District.

The statement of net position and the statement of activities report the governmental activities for the District, which encompass all of the District's services, including instruction, support services, community services, ice arena, food services, athletics, and other. Property taxes, unrestricted state aid (foundation allowance revenue), and State and Federal grants finance most of these activities.

Kentwood Public Schools Kentwood, Michigan

Management Discussion and Analysis

Reporting the District's Most Significant Funds - Fund Financial Statements

The District's fund financial statements provide detailed information about the most significant funds, not the District as a whole. Some funds are required to be established by State law and/or by bond covenants. However, the District establishes other funds to help it control and manage money for particular purposes, such as Child Nutrition Services and the Ice Arena. Funds are also established to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. All of the District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using the modified accrual method of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the District and the services it provides. Governmental fund information helps to determine whether there are more or less financial resources that can be spent in the near future to finance the District's programs. We describe the relationship between governmental activities and governmental funds in a reconciliation format in the financial section on pages 15-22.

The District as Trustee - Reporting the District's Fiduciary Responsibilities

The District acts as the trustee for its student activity funds. All of the District's fiduciary activities are reported in separate statements of fiduciary assets and liabilities. These activities are excluded from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Kentwood Public Schools Kentwood, Michigan

Management Discussion and Analysis

The District as a Whole

The Statement of Net Position provides the perspective of the District as a whole. The schedule below provides a summary of the District's net position as of June 30, 2016, as well as the prior year:

	<i>Governmental Activities (in millions)</i>	
<i>June 30,</i>	<i>2016</i>	<i>2015</i>
Assets:		
Current	\$ 56.0	\$ 21.6
Capital assets, net	145.6	144.1
Total Assets	201.6	165.7
Deferred Outflows of Resources	21.4	15.9
Liabilities:		
Current liabilities	20.7	17.8
Noncurrent liabilities	214.3	169.9
Total Liabilities	235.0	187.7
Deferred Inflows of Resources	4.2	13.3
Net Position:		
Net investment in capital assets	100.6	92.2
Restricted for food service	1.9	1.9
Unrestricted (Deficit)	(118.7)	(113.5)
Total Net Position (Deficit)	\$ (16.2)	\$ (19.4)

The above analysis focuses on the District's net position. The current year change in net position of the District's governmental activities is discussed below. The District's net position (deficit) was (\$16.2) million at June 30, 2016. Net investment in capital assets totaled \$100.6 million. This compares the original cost, less depreciation of the District's capital assets, to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due.

Kentwood Public Schools Kentwood, Michigan

Management Discussion and Analysis

The (\$116.8) million in restricted and unrestricted net position (deficit) of governmental activities represents the accumulated results of all past years' operations. The unrestricted net position (deficit) balance is used for working capital and cash flow needs as well as to provide for future uncertainties. The operating results of the General Fund will have a significant impact on the change in unrestricted net position from year to year. The adoption of GASB No. 68 in the prior fiscal year continued to cause the significant change to the unrestricted net position (deficit).

The results of this year's operations for Kentwood Public Schools as a whole are reported in the statement of activities, which shows the changes in net position for fiscal year 2016. The schedule below summarizes the change in net position of the District for the year ended June 30, 2016, as well as the prior year:

<i>June 30,</i>	<i>Governmental Activities (in millions)</i>	
	<i>2016</i>	<i>2015</i>
Revenues:		
Program revenues:		
Charges for services	\$ 2.1	\$ 2.2
Operating grants and contributions	32.0	24.6
General revenues:		
Property taxes	27.6	29.2
State foundation allowance	41.1	49.0
Other	0.5	0.8
Total Revenues	103.3	105.8
Functional/Program Expenses:		
Instruction	54.5	56.9
Support services	29.3	29.0
Community services	2.5	2.6
Ice arena	0.4	0.4
Food services	4.0	3.8
Athletics	1.5	1.5
Interest on long-term debt	2.4	1.4
Unallocated depreciation	5.4	5.4
Other	0.1	0.1
Total Expenses	100.1	101.1
Increase in Net Position	\$ 3.2	\$ 4.7

As reported in the statement of activities, the cost of all governmental activities this year was \$100.1 million. Certain activities were partially funded from those who benefited from the programs from charges for services of \$2.1 million or by other governments and organizations that subsidized certain programs with grants and contributions \$32.0 million. The remaining "public benefit" portion of governmental activities was funded with \$27.6 million in taxes, \$41.1 million in State foundation allowance, and with other revenues, such as Federal Grants, interest and general entitlements.

Kentwood Public Schools Kentwood, Michigan

Management Discussion and Analysis

Kentwood Public Schools experienced an increase in net position of \$3.2 million. The net position increased primarily as a result of ongoing operations in the District. In addition, bonds payable increased by \$24.6 million in 2015-2016, and net capital assets increased by \$1.5 million.

As discussed above, the net cost shows the financial burden that was placed on the State and the Kentwood Public Schools' taxpayers by each of these functions. Since property taxes for operations and unrestricted State aid constitute the vast majority of District operating revenue sources, the Board of Education and Administration must annually evaluate the needs of the District and balance those needs with State-prescribed available unrestricted revenues.

The District's Funds

As noted earlier, the Kentwood Public School District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the District is being held accountable for the resources taxpayers and others provide to it and may give more insight into the District's overall financial health.

As the District completed this year, the governmental funds reported a combined fund balance of \$42.8 million, this was an increase of \$32.3 million from the prior year. The primary reason for this increase was the successful bond issue that was passed by the Kentwood Community in November 2015. The changes by major and nonmajor funds are as follows:

	2016			
	<i>General Fund</i>	<i>Building and Site Fund</i>	<i>Nonmajor Funds</i>	<i>Total</i>
Fund Balances, beginning of year	\$ 6,606,648	\$ -	\$ 3,873,294	\$ 10,479,942
Increase (Decrease)	168,394	32,326,860	(172,046)	32,323,208
Fund Balances, end of year	\$ 6,775,042	\$ 32,326,860	\$ 3,701,248	\$ 42,803,150

In the General Fund, our principal operating fund, the fund balance increased by \$168,000. It is the District's intention to maintain a General Fund balance at a level that provides the available resources to avoid borrowing funds on a short term basis for cash flow purposes or unanticipated changes in revenues and/or expenses in light of the precarious economic conditions in the State. Furthermore, the Board of Education has established a commitment to an annual balanced budget in order to maintain a responsible fund balance for the District. With this goal in mind, the District has adopted a 2016-2017 General Fund operating budget which addresses the primary financial goal of the Board of Education and our ability to satisfy the district mission statement for educational value.

The fund balance of the 2016 Building and Site Fund of \$32.2 million is new due to the bond issue noted above.

The fund balances of the other non-major funds decreased by \$172,000. This decrease reflects the results of yearly operations of the Debt Retirement and Capital Projects Funds. These decreases were anticipated and reflected in adopted budgets.

Kentwood Public Schools Kentwood, Michigan

Management Discussion and Analysis

General Fund Budgetary Highlights

The Uniform Budget Act of the state of Michigan (the "State") requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the District's fiscal year. As a matter of practice, due to attempts to deal with foreseen and unforeseen changes in revenues and expenses, the District amends its budget at least once during the fiscal year, as State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. For fiscal year 2015-16, an amendment to the General Fund budget was adopted by the Board of Education in April 2016. The following schedule shows a comparison of the original general fund budget, the final amended general fund budget and actual totals from operations:

	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual</i>	<i>Variance With Final Budget Positive (Negative)</i>	<i>Percent Variance</i>
Total Revenues and Other Sources	\$ 86,256,850	\$ 92,662,815	\$ 91,367,072	\$ (1,295,743)	-1.40%
Expenditures:					
Instruction	\$ 53,910,171	\$ 57,903,440	\$ 57,217,134	686,306	1.19%
Support services	28,214,004	30,718,910	29,954,366	764,544	2.49%
Community services	1,802,355	2,602,720	2,531,841	70,879	2.72%
Athletics	1,357,720	1,531,640	1,495,337	36,303	2.37%
Transfers out	972,600	-	-	-	0.00%
Total Expenditures	\$ 86,256,850	\$ 92,756,710	\$ 91,198,678	\$ 1,558,032	1.68%

The General Fund final budget for revenues and other sources was increased by \$6.4 million from original budget to reflect increases in property tax revenues collected, foundation allowance, and increases of federal grants awarded to the District. Actual revenues were below the final budget by \$1.3 million due to the deferment of grant funds allocated at the end of the school year, a reduction of tax revenue and Act 18 projections. See Footnote 2 for further discussion.

The final budgeted expenditures and other uses in the General Fund increased from original budget by \$6.5 million reflecting updated estimates for staffing costs. Actual expenditures were below final budget by \$1.6 million due to a reduction in energy usage, reduction in fuel costs and staff attrition during the year. See Footnote 2 for further discussion.

Capital Assets and Debt Administration

Capital Assets

At June 30, 2016, the District had \$145.6 million invested in a broad range of capital assets including land, buildings, and furniture and equipment. This amount represents a net increase (including additions, deductions, and depreciation) of approximately \$1.5 million or 1% from last year.

Kentwood Public Schools Kentwood, Michigan

Management Discussion and Analysis

<i>June 30,</i>	<i>2016</i>	<i>2015</i>
Land	\$ 3,224,059	\$ 3,224,059
Buildings and construction in process	136,584,716	136,349,239
Furniture and equipment	5,753,789	4,518,011
Total Capital Assets	\$ 145,562,564	\$ 144,091,309

This year's additions included building additions and renovations, purchases of technology hardware, vehicles and, other equipment. We present more detailed information about our capital assets in the notes to financial statements.

Debt

At the end of this year, the District had \$72.1 million in bonds outstanding versus \$47.5 million in the previous year - an increase of 52%. Those bonds consisted of the following:

<i>June 30,</i>	<i>2016</i>	<i>2015</i>
General Obligation Bonds	\$ 72,085,000	\$ 47,525,000

In 2015-16, the District levied 3.5 mills of property taxes on all classes of property located within the District for bonded debt service. This rate was 1.1 mills lower than the rate levied in the prior year.

The state limits the amount of general obligation debt that schools can issue to 15% of the assessed value of all taxable property within the District's boundaries. The District's outstanding unqualified general obligation debt of \$72.1 million is significantly below the \$305 million statutorily imposed limit.

Other obligations include accrued vacation pay and sick leave. We present more detailed information about our long-term liabilities in the notes to financial statements.

Economic Factors and Next Year's Budget

The Administration and Board of Education consider many factors and make assumptions based on the best available information when setting the District's operating budget.

Since such a significant portion of the District's revenue is dependent on State funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its committed appropriation to school districts. Given the protracted downturn in the State and national economies, and the states' recent commitment to fund higher education with School Aid Fund revenue, it does not appear that the revenue system in place can keep pace with spending pressures school districts statewide are experiencing from increases in retirement contributions, employee health insurance, general pay raises, and energy costs. As stated, the Kentwood Board of Education has directed district administration to make the necessary reductions/adjustments to its' general fund operating budget, on an ongoing basis, so that we are able to maintain a sufficient fund balance which will allow us to address this ever changing situation.

Kentwood Public Schools Kentwood, Michigan

Management Discussion and Analysis

Another important factor affecting the District's budget is our student count. State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. Based on preliminary counts for the current year (2016-17) we are estimating enrollment to remain consistent with the prior year.

Over the past several years statewide enrollment has decreased by in excess of 50,000 students. Should this trend continue the impact on the District's budget, when coupled with the other factors cited, will continue to be negative.

As a result it is critical that the District maintain an adequate fund balance in order to be able to react to these ever changing conditions and to provide for the fair and equitable treatment of both our students and employees.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report, or need additional financial information, please contact Todd Bell, Executive Director of Finance and Business Operations, Kentwood Public Schools, 5820 Eastern Avenue SE, Kentwood, Michigan 49508.

District-Wide Financial Statements

Kentwood Public Schools
Kentwood, Michigan
District-Wide Financial Statements
Statement of Net Position

<i>June 30, 2016</i>	<i>Governmental Activities</i>
Assets	
Current Assets:	
Cash and deposits (Note 3)	\$ 5,820,185
Investments (Note 3)	36,925,337
Receivables:	
Intergovernmental	10,784,883
Accounts	2,188,745
Property taxes	32,668
Prepaid expenses	114,625
Inventories	23,925
Residential construction	127,314
Total Current Assets	56,017,682
Noncurrent Assets:	
Land, improvements and construction in process (Note 5)	5,043,180
Capital assets, net of accumulated depreciation (Note 5)	140,519,384
Total Noncurrent Assets	145,562,564
Total Assets	\$ 201,580,246
Deferred Outflows of Resources:	
Deferred charge on refunding	\$ 700,575
Related to pensions	20,773,718
Total Deferred Outflows of Resources	\$ 21,474,293

See accompanying notes to financial statements.

Kentwood Public Schools
Kentwood, Michigan
District-Wide Financial Statements
Statement of Net Position (Concluded)

<i>June 30, 2016</i>	<i>Governmental Activities</i>
Liabilities	
Current Liabilities:	
Accounts payable	\$ 5,318,062
Salaries payable	6,319,340
Accrued employee benefits	1,114,017
Unearned revenue	430,445
Accrued interest	1,176,955
Current portion of long-term liabilities (Note 8)	6,410,766
Total Current Liabilities	20,769,585
Noncurrent Liabilities, net of current portion:	
Bonds payable (Note 8)	74,439,630
Compensated absences payable (Note 8)	2,099,910
Net pension liability	137,730,274
Total Noncurrent Liabilities	214,269,814
Total Liabilities	\$ 235,039,399
Deferred Inflows of Resources:	
Related to state aid funding for pension	\$ 3,759,399
Related to pensions	456,208
Total Deferred Inflows of Resources	\$ 4,215,607
Net Position:	
Net investment in capital assets	\$ 100,618,673
Restricted for food service	1,872,899
Unrestricted (Deficit)	(118,692,039)
Total Net Position (Deficit)	\$ (16,200,467)

See accompanying notes to financial statements.

Kentwood Public Schools Kentwood, Michigan

District-Wide Financial Statements Statement of Activities

		Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Year ended June 30, 2016	Expenses			Total
Functions/Programs Governmental Activities:				
Instruction:				
Basic programs	\$ 41,635,568	\$ 202,648	\$ 3,194,482	\$ (38,238,438)
Added needs	12,872,661	-	21,269,440	8,396,779
Total instruction	54,508,229	202,648	24,463,922	(29,841,659)
Support services:				
Student	5,165,040	-	-	(5,165,040)
Instructional staff	3,579,488	-	-	(3,579,488)
General administration	1,949,197	-	-	(1,949,197)
School administration	5,197,625	-	-	(5,197,625)
Business	13,420,133	-	1,397,553	(12,022,580)
Community services	2,514,666	551,789	2,025,000	62,123
Ice arena	360,449	329,304	-	(31,145)
Food service	3,960,166	954,468	4,108,223	1,102,525
Athletics	1,459,354	77,792	-	(1,381,562)
Other	191,365	-	-	(191,365)
Interest on long-term debt	2,441,596	-	-	(2,441,596)
Unallocated depreciation	5,395,742	-	-	(5,395,742)
Total support services	45,634,821	1,913,353	7,530,776	(36,190,692)
Total School District	\$ 100,143,050	\$ 2,116,001	\$ 31,994,698	(66,032,351)
General Revenues:				
Property taxes levied for general purposes				17,059,537
Property taxes levied for debt service				7,206,827
Property taxes levied for capital projects				3,296,522
Unrestricted state aid				41,123,653
Investment earnings				80,466
Other				458,590
Total General Revenues				69,225,595
Change in Net Position				3,193,244
Net Position (Deficit), beginning of year				(19,393,711)
Net Position (Deficit), end of year				\$ (16,200,467)

See accompanying notes to financial statements.

Fund Financial Statements

Kentwood Public Schools Kentwood, Michigan

Governmental Funds Balance Sheet

<i>June 30, 2016</i>	<i>General</i>	<i>2016 Building and Site Fund</i>	<i>Nonmajor Governmental Funds</i>	<i>Total Governmental Funds</i>
Assets				
Cash and deposits (Note 3)	\$ 937,221	\$ 295,176	\$ 4,587,788	\$ 5,820,185
Investments (Note 3)	4,270,287	32,655,050	-	36,925,337
Taxes receivable	180,979	-	108,416	289,395
Accounts receivable	2,043,277	-	145,468	2,188,745
Due from other funds (Note 4)	16,072	-	25,830	41,902
Due from other governmental units	10,784,883	-	-	10,784,883
Prepaid expenditures	114,625	-	-	114,625
Inventories	292	-	23,633	23,925
Residential construction	127,314	-	-	127,314
Total Assets	\$ 18,474,950	\$ 32,950,226	\$ 4,891,135	\$ 56,316,311
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 3,702,809	\$ 623,366	\$ 991,887	\$ 5,318,062
Salaries payable	6,260,081	-	59,259	6,319,340
Accrued employee benefits	1,099,764	-	14,253	1,114,017
Due to other funds (Note 4)	25,830	-	16,072	41,902
Unearned revenue	611,424	-	108,416	719,840
Total Liabilities	11,699,908	623,366	1,189,887	13,513,161
Fund Balances:				
Nonspendable:				
Prepaid expenditures	114,625	-	-	114,625
Inventories	292	-	23,633	23,925
Residential construction	127,314	-	-	127,314
Restricted for:				
Ice arena	-	-	11,631	11,631
Food service	-	-	1,872,899	1,872,899
Debt retirement	-	-	1,299,070	1,299,070
Capital projects	-	32,326,860	494,015	32,820,875
Unassigned in General Fund	6,532,811	-	-	6,532,811
Total Fund Balances	6,775,042	32,326,860	3,701,248	42,803,150
Total Liabilities and Fund Balances	\$ 18,474,950	\$ 32,950,226	\$ 4,891,135	\$ 56,316,311

See accompanying notes to financial statements.

**Kentwood Public Schools
Kentwood, Michigan**

**Reconciliation of Fund Balances of Governmental Funds to
Net Position on the Statement of Net Position**

June 30, 2016

Total fund balances - total governmental funds (from Page 18)	\$ 42,803,150
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
These net capital assets consist of:	
Capital assets, at cost	\$ 233,486,539
Accumulated depreciation	(87,923,975)
Net capital assets	145,562,564
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	
These long-term assets consist of -	
Property taxes	32,668
Deferred outflows are not available resources and, therefore, not reported in the funds.	
Deferred charge on refunding	700,575
Pension related items	20,773,718
	21,474,293
Long-term liabilities, including the current portion and accrued interest thereon, are not due and payable in the current period and, therefore are not reported in the funds.	
Balances are as follows:	
Bonds payable	(72,085,000)
Compensated absences	(2,271,589)
Bond premium, net	(8,593,717)
Accrued interest on bonds	(1,176,955)
Net pension liability	(137,730,274)
Total long-term liabilities	(221,857,535)
Deferred inflows are not due and payable and, therefore are deferred in the funds.	
Related to state aid funding for pension	(3,759,399)
Pension related items	(456,208)
	(4,215,607)
Net Position (Deficit) of Governmental Activities (from Page 16)	\$ (16,200,467)

See accompanying notes to financial statements.

Kentwood Public Schools Kentwood, Michigan

Governmental Funds Statements of Revenues, Expenditures, and Changes in Fund Balances

<i>Year ended June 30, 2016</i>	<i>General</i>	<i>2016 Building and Site Fund</i>	<i>Nonmajor Governmental Funds</i>	<i>Total Governmental Funds</i>
Revenues:				
Local sources:				
Property taxes	\$ 17,046,216	\$ -	\$ 10,333,139	\$ 27,379,355
Penalties and interest	14,543	-	8,780	23,323
Admissions	77,792	-	-	77,792
Industrial facilities tax	-	-	179,368	179,368
Investment income	9,289	71,174	3	80,466
Food service	-	-	819,326	819,326
Ice arena	-	-	329,304	329,304
Tuition	754,438	-	-	754,438
Other	1,832,776	-	135,142	1,967,918
State sources:				
Restricted grants	14,399,632	-	280,004	14,679,636
Unrestricted state aid	44,883,052	-	-	44,883,052
Federal sources	6,878,202	-	3,828,218	10,706,420
Other - County special education tax	5,207,232	-	-	5,207,232
Total Revenues	91,103,172	71,174	15,913,284	107,087,630
Expenditures:				
Current:				
Instruction:				
Basic programs	43,987,429	-	-	43,987,429
Added needs	13,229,705	-	-	13,229,705
Support services:				
Student	5,217,163	-	-	5,217,163
Instructional staff	3,688,760	-	-	3,688,760
General administration	2,016,117	-	-	2,016,117
School administration	5,362,729	-	-	5,362,729
Business	13,669,597	-	-	13,669,597
Community services	2,531,841	-	-	2,531,841
Food service	-	-	3,961,001	3,961,001
Athletics	1,495,337	-	-	1,495,337
Ice arena	-	-	360,449	360,449
Other	-	123,248	68,117	191,365
Construction projects	-	2,492,875	4,273,844	6,766,719
Debt service:				
Principal retirement	-	-	5,375,000	5,375,000
Interest and other charges	-	-	1,786,919	1,786,919
Bond issuance costs	-	240,651	-	240,651
Total Expenditures	91,198,678	2,856,774	15,825,330	109,880,782

See accompanying notes to financial statements.

**Kentwood Public Schools
Kentwood, Michigan**

**Governmental Funds
Statements of Revenues, Expenditures, and Changes in Fund Balances (Concluded)**

<i>Year ended June 30, 2016</i>	<i>General</i>	<i>2016 Building and Site Fund</i>	<i>Nonmajor Governmental Funds</i>	<i>Total Governmental Funds</i>
Excess (Deficiency) of Revenues Over Expenditures	\$ (95,506)	\$ (2,785,600)	\$ 87,954	\$ (2,793,152)
Other Financing Sources (Uses):				
Transfers in (Note 4)	260,000	-	-	260,000
Bonds issued	-	29,935,000	-	29,935,000
Premium on bonds issued	-	5,177,460	-	5,177,460
Gain on sale of capital assets	3,900	-	-	3,900
Transfers out (Note 4)	-	-	(260,000)	(260,000)
Total Other Financing Sources (Uses)	263,900	35,112,460	(260,000)	35,116,360
Changes in Fund Balances	168,394	32,326,860	(172,046)	32,323,208
Fund Balances, beginning of year	6,606,648	-	3,873,294	10,479,942
Fund Balances, end of year	\$ 6,775,042	\$ 32,326,860	\$ 3,701,248	\$ 42,803,150

See accompanying notes to financial statements.

**Kentwood Public Schools
Kentwood, Michigan**

**Reconciliation of the Statements of Revenues, Expenditures, and Changes in Fund
Balances of Governmental Funds to the Statement of Activities**

Year ended June 30, 2016

Changes in fund balances - total governmental funds (from Page 21) \$ 32,323,208

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

Governmental funds report capital outlays as expenditures.

However, in the Statement of Activities, the cost of those
assets is allocated over their estimated useful lives as
depreciation.

Capital outlay	\$ 6,866,997
Depreciation expense	(5,395,742)

Net effect of capital outlay and depreciation expense 1,471,255

Revenues in the Statement of Activities that do not provide
current financial resources are not reported as revenues
in the funds.

Property taxes	4,163
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Payment of long-term debt (e.g., bonds, notes, leases)
reduces current financial resources of governmental funds,
but paying debt decreases long-term liabilities in the
Statement of Net Position.

Principal payments	5,375,000
Bonds issued	(29,935,000)
Premium on bonds issued	(5,177,460)

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

Amortization of deferred charge on refunding	(1,126,205)
Amortization of bond premium	2,807,265
Accrued interest	(901,097)
Compensated absences	(93,525)
Pension expense	2,205,039
State aid funding for pension	(3,759,399)

(867,922)

Change in Net Position of Governmental Activities (from Page 17) \$ 3,193,244

See accompanying notes to financial statements.

**Kentwood Public Schools
Kentwood, Michigan**

**General Fund
Statements of Revenues, Expenditures, and Changes in Fund Balances -
Budget to Actual**

<i>Year ended June 30, 2016</i>	<i>Original Budget</i>	<i>Final Budget</i>	<i>2016 Actual</i>	<i>Variance with Final Budget Positive (Negative)</i>	<i>2015 Actual</i>
Revenues:					
Local sources:					
Property taxes	\$ 16,789,000	\$ 17,481,500	\$ 17,046,216	\$ (435,284)	\$ 16,775,423
Penalties and interest	15,000	15,000	14,543	(457)	20,401
Admissions	71,850	80,000	77,792	(2,208)	79,511
Investment income	3,000	7,000	9,289	2,289	283
Tuition	778,500	838,500	754,438	(84,062)	910,068
Other	350,000	1,860,000	1,832,776	(27,224)	1,618,019
State sources:					
Restricted grants	600,000	14,460,650	14,399,632	(61,018)	7,719,102
Unrestricted school aid	53,989,500	44,900,000	44,883,052	(16,948)	48,980,474
Federal sources	7,690,000	7,515,165	6,878,202	(636,963)	7,143,698
Other - County special education tax	5,665,000	5,250,000	5,207,232	(42,768)	5,067,197
Total Revenues	85,951,850	92,407,815	91,103,172	(1,304,643)	88,314,176
Expenditures:					
Current:					
Instruction:					
Basic programs	41,158,271	44,307,305	43,987,429	319,876	42,857,392
Added needs	12,751,900	13,596,135	13,229,705	366,430	13,635,179
Support services:					
Student	5,143,566	5,459,580	5,217,163	242,417	5,376,124
Instructional staff	3,403,445	4,075,545	3,688,760	386,785	3,297,958
General administration	1,618,805	1,935,335	2,016,117	(80,782)	1,677,104
School administration	4,859,588	5,379,430	5,362,729	16,701	5,145,268
Business	13,188,600	13,869,020	13,669,597	199,423	13,286,565
Community services	1,802,355	2,602,720	2,531,841	70,879	2,576,354
Athletics	1,357,720	1,531,640	1,495,337	36,303	1,461,617
Total Expenditures	85,284,250	92,756,710	91,198,678	1,558,032	89,313,561

See accompanying notes to financial statements.

**Kentwood Public Schools
Kentwood, Michigan**

**General Fund
Statements of Revenues, Expenditures, and Changes in Fund Balances -
Budget to Actual (Concluded)**

<i>Year ended June 30, 2016</i>	<i>Original Budget</i>	<i>Final Budget</i>	<i>2016 Actual</i>	<i>Variance With Final Budget Positive (Negative)</i>	<i>2015 Actual</i>
Excess (Deficiency) of Revenues Over Expenditures	\$ 667,600	\$ (348,895)	\$ (95,506)	\$ 253,389	\$ (999,385)
Other Financing Sources (Uses):					
Transfers in	300,000	250,000	260,000	10,000	1,033,544
Gain on sale of capital assets	5,000	5,000	3,900	(1,100)	3,850
Transfers out	(972,600)	-	-	-	-
Total Other Financing Sources	(667,600)	255,000	263,900	8,900	1,037,394
Changes in Fund Balance	-	(93,895)	168,394	262,289	38,009
Fund Balance, beginning of year	6,606,648	6,606,648	6,606,648	-	6,568,639
Fund Balance, end of year	\$ 6,606,648	\$ 6,512,753	\$ 6,775,042	\$ 262,289	\$ 6,606,648

See accompanying notes to financial statements.

Kentwood Public Schools
Kentwood, Michigan

Fiduciary Funds
Statement of Fiduciary Assets and Liabilities

<i>June 30, 2016</i>	<i>Agency Funds</i>
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Assets:	
Cash and deposits (Note 3)	\$ 481,549
Accounts receivable	637
<hr/>	
Total Assets	\$ 482,186
<hr/>	
Liabilities:	
Accounts payable	\$ 14,969
Due to affiliated organizations	467,217
<hr/>	
Total Liabilities	\$ 482,186
<hr/>	

See accompanying notes to financial statements.

Notes to Financial Statements

Kentwood Public Schools Kentwood, Michigan

Notes to Financial Statements

1. Summary of Significant Accounting Policies

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

Reporting Entity

The District is an independent entity with an elected board of education (the Board). The Board consists of seven members elected to four-year terms. The Board has responsibility and control over all matters affecting the District, including authority to levy taxes and determine its budget, the power to designate management and primary accountability for fiscal matters. The basic financial statements of the District contain all funds for which the District is financially accountable. The Kentwood Public Schools Educational Foundation (the Foundation) is a separate entity which elects its own board and sets its own policies and procedures. The District has no control over the Foundation either administratively or financially. Accordingly, it is not included in this report. There are no other agencies for which the District is responsible; therefore, no other agencies are included in this report.

Basis of Presentation

District-wide financial statements: The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. All of the District's activities are classified as governmental.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges to recipients who purchase, use or directly benefit from goods, services or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operation or capital requirements of a particular function. Property taxes, state aid foundation and certain other items are reported as general revenues.

Fund financial statements: The fund financial statements provide information about the District's funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the District-wide financial statements. Major individual governmental funds are reported in separate columns in the fund financial statements.

The financial transactions of the District are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures.

**Kentwood Public Schools
Kentwood, Michigan**

Notes to Financial Statements

Governmental Funds

The following is a description of the Governmental Funds of the District.

General Fund - used as the general operating fund of the District. It accounts for all financial resources except those required to be accounted for in another fund. The General Fund is considered a major fund for the District.

Special Revenue Funds - used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The District operates two special revenue funds; Food Service and Ice Arena Funds.

Debt Retirement Funds - used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Funds - used to account for financial resources to be used for the acquisition or construction of major capital facilities. The 2006 Building and Site Fund is used to account for the use of a sinking fund millage approved by voters in 1996 and renewed in 2006. The 2016 Building and Site Fund is used to account for the use of a millage approved by voters in 2016.

Fiduciary Fund

Agency Funds - used to account for assets held by the District in a trustee capacity for individuals or district-related organizations. This fund is custodial in nature and does not involve measurement of results of operations. The District's Agency Funds consist of the Student Activities and Athletic Complex Funds.

Measurement Focus and Basis of Accounting

Measurement focus refers to what is being measured and basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

District-wide and fiduciary fund 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.

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 if they are collected within the current period or soon enough after to pay liabilities for the current period. The District considers revenues available if collected within 90 days after year-end except for property taxes which must be collected within 60 days.

Kentwood Public Schools Kentwood, Michigan

Notes to Financial Statements

Expenditures 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. Proceeds of long-term debt are reported as other financing sources.

State Foundation Revenue

The State of Michigan provides funds through a foundation grant approach, which provides for a specific annual amount of revenue per student based on 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. For the year ended June 30, 2016, the foundation allowance was based on the blended average of student membership counts taken in February 2015 and October 2015.

The state portion of the foundation is provided primarily by a state education property tax millage of six mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes, which may be levied at a rate of up to 18 mills.

State Categorical Revenue

The District also receives revenue from the state to administer certain categorical education programs. State rules require revenue earmarked for these programs be expended for its specific purpose. Categorical funds received which are not expended by the close of the fiscal year are recorded as unearned revenue.

Federal Revenue

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

Budgets and Budgetary Accounting

Budgets presented in the financial statements were prepared on the same basis as the accounting used to reflect actual results. The funds of the District are subject to state budgetary accounting controls and all budgets are adopted annually, prior to the beginning of the fiscal year. Periodic budget revisions to funds occur during the fiscal year as needed.

The budgetary data reflected in the financial statements is established by the District using the procedures outlined below:

Prior to May, the various directors and supervisors review operating budgets by program or building for the fiscal year commencing the following July 1 and submit them to the Assistant Superintendent for Business.

Kentwood Public Schools Kentwood, Michigan

Notes to Financial Statements

This information is used to develop a budget and authorizing resolution for the General, Special Revenue, Debt Retirement, and the Capital Projects Funds. This includes the proposed expenditures and the means of financing them. Each fund is budgeted individually, including specific Capital Projects and Debt Retirement Funds.

In June, the budget resolution is subjected to a public hearing before the Board and is adopted after this hearing and before July 1, the first day of the budgeted fiscal year, as required by state law.

Various administrators are authorized to transfer budgeted amounts within functions of any fund; however, any revisions that alter the total expenditures of any fund, which is the legal level of budgetary control, must be approved by the Board. The final budget reflects all revisions approved by the Board during the year. Budget amendments during the year were not material to the originally adopted budgets, other than amendments made to property tax and federal revenue. Unexpended appropriations lapse at year-end. The budget is integrated with the accounting system of the District and is used as a management control device during the year.

Investments

Investments are carried at fair value except for commercial paper, banker's acceptances, and U.S. Treasury and agency obligations with a remaining maturity at the time of purchase of one year or less are shown at amortized cost.

Inventories and Prepaid Expenditures

Inventories are stated at cost (first-in, first-out) and consist primarily of food, cafeteria supplies, teaching, office, and maintenance supplies. Governmental fund inventories are reported as assets until consumed, at which time an expenditure is recorded. USDA donated commodities are recorded at fair market value. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both district-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Capital Assets

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset useful lives are not capitalized. Major outlays for capital assets are capitalized as projects are constructed.

**Kentwood Public Schools
Kentwood, Michigan**

Notes to Financial Statements

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

Buildings and additions	20-50 Years
Furniture and equipment	5-15 Years

The District evaluates its capital assets for impairment in accordance with GAAP. Assets to be disposed of would be recognized at the lower of carrying value or fair value less the estimated cost of disposal. Assets held and in use are reviewed for impairment whenever indicators of impairment exist. All recognized impairment losses, whether for assets to be disposed of or assets to be held and used, are recorded as operating expenses.

Defined Benefit Plan

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

Deferred Outflows/Inflows of Resources

Deferred Outflows - In addition to assets, the statement of net position reports 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) until then. The District has five items that qualify for reporting in this category. They are the deferred charge on refunding and pension related items reported in the District-Wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. A deferred outflow is recognized for pension related items. These amounts are expensed in the plan year in which they apply.

Deferred Inflows - In addition to liabilities, the statement of net position reports 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 three items that qualify for reporting in this category. They are restricted section 147c state aid and pension related items reported in the District-Wide Statement of Net Position. 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 pension related items represent future resources arising from differences in the estimates used by the actuary to calculate the pension liability and the actual results.

**Kentwood Public Schools
Kentwood, Michigan**

Notes to Financial Statements

Compensated Absences

District employees are granted vacation and sick leave in varying amounts based on length of service. Unused vacation time and sick leave accumulate from year to year at varying rates, depending on the employees' applicable rate of pay and/or employment category. The liability for compensated absences includes salary-related payments.

In the fund financial statements, only the matured liability for compensated absences is reported. The total liability is reported in the District-wide financial statements.

Unearned Revenue

Revenue received which relates to future periods is recorded as unearned revenue in the fund financial statements and the district-wide statements.

Long-Term Obligations

In the District-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Premiums and discounts on bonds issued are unearned and amortized over the life of the related bonds. Bond issue costs are expensed.

In the fund financial statements, governmental fund types recognize bond premiums and discounts as well as issuance costs during the current period. The face amount of debt is reported as other financing sources. Premiums and discounts are reported as other financing sources (uses) while issuance costs are reported as expenditures.

Net Position

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

Fund Balance

Fund balance represents the difference between assets and liabilities in the governmental fund financial statements. The District's fund balance is classified in the following categories:

Nonspendable fund balance - represents amounts that cannot be spent due to legal requirements or because it is not in spendable form. The District reports nonspendable fund balance for prepaids, inventories and residential construction.

Restricted fund balance - restricted for specific purposes imposed by grantors, bondholders, constitutional provisions, or enabling legislation. The District reports restricted fund balance in the Debt, Ice Arena, Capital Projects, and the Food Service Funds.

Unassigned fund balance - the residual fund balance of the General Fund.

**Kentwood Public Schools
Kentwood, Michigan**

Notes to Financial Statements

Property Taxes

Properties are assessed as of December 31, and approximately one-half of the related property taxes are levied and become a lien on July 1. The remaining taxes are levied and become a lien on December 1. These taxes are due on September 14 and February 14, respectively, with the final collection date of February 28, before they are added to the county delinquent tax rolls.

Interfund Activity

Outstanding balances between funds are reported as due from/to other funds at year-end.

Use of Estimates

The preparation of financial statements requires estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Subsequent Events

Management has evaluated subsequent events from July 1, 2016, through October 24, 2016, the date the financial statements were made available to be issued. Based on that evaluation, there were no matters identified that had a significant impact on the financial statements as presented.

2. Stewardship, Compliance, and Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and state law for the General and all Special Revenue Funds. All annual appropriations lapse at year-end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the activity level. State law requires the District to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year.

During the year ended June 30, 2016, the District incurred expenditures which were in excess of the amounts budgeted in the General Fund as follows:

<i>June 30, 2016</i>	<i>Budget</i>	<i>Actual</i>	<i>Variance</i>
General administration	\$ 1,935,335	\$ 2,016,117	\$ (80,782)

**Kentwood Public Schools
Kentwood, Michigan**

Notes to Financial Statements

3. Cash, Deposits and Investments

Cash and Deposits

Statutes require that certificates of deposit, savings accounts, deposit accounts and depository receipts are made with banks doing and having a place of business in the state of Michigan that are also members of a federal or national insurance corporation.

Custodial Credit Risk Related to Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits might not be recovered. The District does not have a deposit policy for mitigating custodial credit risk. At June 30, 2016, the District's bank balances were \$8,371,389, of which \$8,121,389 was uninsured and uncollateralized.

The Federal Deposit Insurance Corporation (FDIC) general deposit insurance rules provide \$250,000 of insurance per depositor, per insured bank.

A reconciliation of deposits to cash and cash equivalents as shown on the fund and the District-wide financial statements at June 30, 2016, is as follows:

Carrying amount of deposits	\$ 6,261,834
Cash on hand	39,900
Less cash of Fiduciary Funds	(481,549)
	<hr/>
	\$ 5,820,185

Investments

The District had the following investments:

<i>June 30, 2016</i>	<i>Maturity</i>	<i>Standard & Poor's Rating</i>	<i>Fair Value</i>
MILAF External Investment Pool - MICMS	Less than one year	AAAm	\$ 1,670,430
MILAF External Investment Pool - MIMAX	Less than one year	AAAm	4,770,602
MILAF External Investment Pool - Federal Agency	Less than one year	AAAm	24,415,762
MILAF External Investment Pool - Commercial Paper	Less than one year	AAAm	6,068,543
			<hr/>
Total			\$ 36,925,337

The Michigan Liquid Asset Fund (MILAF) is an external pooled investment fund that includes qualified investments in accordance with the applicable sections of the School Code. MILAF is not regulated or registered with the Securities Exchange Commission and reported the same value of the pool shares as the fair value of the District's investments at June 30, 2016.

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Notes to Financial Statements

Interest Rate Risk

The District minimizes interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market, and investing operating funds primarily in shorter-term investments.

Custodial Credit Risk Related to Investments

Custodial credit risk 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 that are in the possession of an outside party. At June 30, 2016, the District had no investments that were subject to custodial credit risk.

Credit Risk

State statutes and board resolutions authorize the District to invest in obligations and certain repurchase agreements of the U.S. Treasury and related governmental agencies; commercial paper rated prime at the time of purchase and maturing not more than 270 days from the date of purchase; bankers' acceptances and certificates of deposit issued or created by any state or national bank insured with the applicable federal agency; investment pools authorized by the Surplus Funds Investment Pool Act; and mutual funds composed entirely of the above investments.

Credit risk is the risk that an issuer or other counter-party to an investment will not fulfill its obligations. The District has no policy that would further limit its investment choices.

4. Interfund Receivables and Payables and Transfers

Interfund receivables and payables at June 30, 2016, consisted of the following:

<i>Fund</i>	<i>Interfund Receivables</i>	<i>Interfund Payables</i>
General Fund	\$ 16,072	\$ 25,830
Nonmajor Governmental Funds	25,830	16,072
	\$ 41,902	\$ 41,902

All balances are expected to be collected within one year.

Kentwood Public Schools Kentwood, Michigan

Notes to Financial Statements

The Food Service Fund annually transfers funds to the General Fund for indirect costs. Interfund transfers during the year ended June 30, 2016, were as follows:

<i>Fund</i>	<i>Transfers to Other Funds</i>	<i>Transfers From Other Funds</i>
General Fund	\$ -	\$ 260,000
Nonmajor Governmental Funds	685,273	425,273
	\$ 685,273	\$ 685,273

5. Capital Assets

The following summarizes capital asset activity:

	<i>Balance July 1, 2015</i>	<i>Additions</i>	<i>Transfers</i>	<i>Deletions</i>	<i>Balance June 30, 2016</i>
Governmental Activities:					
Capital assets not depreciated:					
Land and improvements	\$ 3,224,059	\$ -	\$ -	\$ -	\$ 3,224,059
Construction in progress	244,237	1,819,121	(244,237)	-	1,819,121
Capital assets being depreciated:					
Buildings and improvements	204,586,544	3,129,270	244,237	-	207,960,051
Machinery, furniture, and equipment	15,500,792	1,162,011	-	10,740	16,652,063
Vehicles	3,269,970	756,595	-	195,320	3,831,245
Totals at historical cost	226,825,602	6,866,997	-	206,060	233,486,539
Less accumulated depreciation for:					
Buildings and improvements	68,481,542	4,712,914	-	-	73,194,456
Machinery, furniture, and equipment	11,465,551	536,615	-	10,740	11,991,426
Vehicles	2,787,200	146,213	-	195,320	2,738,093
Total accumulated depreciation	82,734,293	5,395,742	-	206,060	87,923,975
Net Capital Assets	\$ 144,091,309	\$ 1,471,255	\$ -	\$ -	\$ 145,562,564

Depreciation for the year ended June 30, 2016, was \$5,395,742. The District determined that it was impractical to allocate depreciation to various governmental activities as the assets serve multiple functions.

Estimated costs to complete the construction in progress are approximately \$12,970,000 as of June 30, 2016.

**Kentwood Public Schools
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Notes to Financial Statements

6. Employee Retirement System - Defined Benefit Plan and Post-Retirement Benefits

Plan Description

The Michigan Public School Employees' Retirement System (MPERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this Act establishes the Board's authority to promulgate or amend the provisions of the System. MPERS issues a publicly available Comprehensive Annual Financial Report that can be obtained at <http://michigan.gov/orsschools/0,1607,7-206-36585-,00.html>.

Benefits Provided

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

Pension Reform 2010

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

Pension Reform 2012

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

Kentwood Public Schools Kentwood, Michigan

Notes to Financial Statements

Regular Retirement (no reduction factor for age)

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

Annual Amount - Total credited service as of the Transition Date times 1.5% of final average compensation.

Pension Plus

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

Option 1 - Credited Service after the Transition Date times 1.5% times Final Average Compensation (FAC).

Option 2 - Credited Service after the Transition Date (until total service reaches 30 years) times 1.5% times FAC, PLUS Credited Service after the Transition Date and over 30 years times 1.25% times FAC.

Option 3 - Credited Service after the Transition Date times 1.25% times (FAC).

Option 4 - None (Member will receive benefit through a Defined Contribution plan).

Final Average Compensation (FAC) - Average of highest 60 consecutive months (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.

Member Contributions

The majority of the members currently participate on a contributory basis, under a variety of options "Benefits Provided". Districts are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of members and retiree Other Post-Employment Benefits (OPEB). Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Employer Contributions

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

The District's pension contributions for the year ended June 30, 2016 exceeded the required contribution total. Pension contributions were approximately \$12,000,000, with \$8,500,000 specifically for the Defined Benefit Plan. These amounts include Section 147 contributions also.

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Notes to Financial Statements

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

Pension Liabilities

At June 30, 2016, the District reported a liability of \$137,730,274 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2014 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 Districts, actuarially determined. At September 30, 2015, the District's proportion was .56389%.

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

For the year ended June 30, 2016, the District recognized pension expense of \$6,286,172. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<i>Deferred Outflows of Resources</i>	<i>Deferred (Inflows) of Resources</i>
Difference between expected and actual experience	\$ -	\$ (456,203)
Net difference between projected and actual earnings on pension plan investments	703,002	-
Changes in pension actuarial assumptions	3,391,211	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	3,245,756	(5)
District's contributions subsequent to the measurement date	13,433,749	-
State aid funding for pension	-	(3,759,399)
Total	\$ 20,773,718	\$ (4,215,607)

\$13,433,749 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 year ended June 30, 2017.

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Notes to Financial Statements

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

<i>Year ended June 30,</i>		
2017	\$	1,259,990
2018	\$	1,259,990
2019	\$	1,076,112
2020	\$	3,287,669

Actuarial Assumptions

Investment rate of return - 8.0% a year, compounded annually net of investment and administrative expenses for the Non-Hybrid groups and 7.0% a year, compounded annually net of investment and administrative expenses for the Hybrid group (Pension Plus plan).

Salary increases - The rate of pay increase used for individual members is 3.5%.

Inflation - 2.5%

Mortality assumptions - The healthy life post-retirement mortality table used in this valuation of the System was the RP-2000 Combined Healthy Mortality Table, adjusted for mortality improvements to 2020 using projection scale AA. The final rates used include no margin for future mortality improvement. This assumption is used to measure the probabilities of each benefit payment being made after retirement.

Experience study - The annual actuarial valuation report of the System used for these statements is dated September 30, 2014. An assumption experience study is performed every five years. The actuarial assumptions used in the September 30, 2014 valuation were based on the results of an actuarial experience study for the period October 1, 2007 to September 30, 2012. As a result of this actuarial experience study, the actuarial assumptions were adjusted to more closely reflect actual experience.

The long-term expected rate of return on pension plan investments - The rate was 8.0% (7.0% Pension Plus Plan) net of investment and administrative expenses was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Kentwood Public Schools Kentwood, Michigan

Notes to Financial Statements

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

<i>Investment Category</i>	<i>Target Allocation*</i>	<i>Long-Term Expected Real Rate of Return*</i>
Domestic Equity Pools	28.00%	5.90%
Alternate Investment Pools	18.00%	9.20%
International Equity	16.00%	7.20%
Fixed Income Pools	10.50%	0.90%
Real Estate and Infrastructure Pools	10.00%	4.30%
Absolute Return Pools	15.50%	6.00%
Short-Term Investment Pools	2.00%	0.00%
Total	100.0%	

*Long-term rate of return does not include 2.1% inflation.

Discount rate - The discount rate used to measure the total pension liability was 8.0% (7.0% for Pension Plus Plan). The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from school districts will be made at contractually required rates, actuarially determined. 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 active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 8.0% (7% for Pension Plus Plan), as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.0%) or 1 percentage point higher (9.0%) than the current rate:

	<i>1% Lower (6.0% - 7.0%)</i>	<i>Discount Rate (7.0% - 8.0%)</i>	<i>1% Higher (8.0% - 9.0%)</i>
District's proportionate share of the net pension liability	\$ 177,569,630	\$ 137,730,274	\$ 104,144,065

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Michigan Public School Employees Retirement System 2015 Comprehensive Annual Financial Report, available here: <http://michigan.gov/orsschools/0,1607,7-206-365.85---,00.html>.

**Kentwood Public Schools
Kentwood, Michigan**

Notes to Financial Statements

Payable to the Pension Plan

At year end the School District is current on all required pension 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 funded from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate.

Other Post-Employment Benefits

Introduction

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. Beginning fiscal year 2013, it is funded on a prefunded basis. MPSERS has contracted to provide the comprehensive group medical, hearing, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by MPSERS 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.

Public Act 75 of 2010 requires each actively employed member of MPSERS after June 30, 2010 to annually contribute 3% of their compensation to offset employer contributions for health care benefits of current retirees.

Retiree Healthcare Reform of 2012

Public Act 300 of 2012, granted all active members of MPSERS, 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 December 1, 2012.

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.

Kentwood Public Schools Kentwood, Michigan

Notes to Financial Statements

Employer Contributions

The District postemployment healthcare contributions to MPSERS for the year ended June 30, 2016 were approximately \$2,500,000.

7. Fair Value Measurement

Fair Value Measurement

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

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

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

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

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

The following table sets forth by level within the fair value hierarchy the District's investment assets at fair value, as of June 30, 2016:

Assets by Fair Value Level	Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<i>Debt Securities</i>				
MILAF External Investment Pool - Federal Agency	\$ 24,415,762	\$ -	\$ 24,415,762	\$ -
MILAF External Investment Pool - Commercial Paper	6,068,543	-	6,068,543	-
Total Investments by Fair Value Level	\$ 30,484,305	\$ -	\$ 30,484,305	\$ -

**Kentwood Public Schools
Kentwood, Michigan**

Notes to Financial Statements

8. General Long-Term Debt

Changes in the general long-term debt are summarized as follows:

	<i>Balance June 30, 2015</i>	<i>Additions</i>	<i>Deletions</i>	<i>Balance June 30, 2016</i>	<i>Due Within One Year</i>
Bonds payable	\$ 47,525,000	\$ 29,935,000	\$ 5,375,000	\$ 72,085,000	\$ 5,540,000
Premium on bonds	6,223,522	5,177,460	2,807,265	8,593,717	699,087
Compensated absences	2,178,064	491,041	397,516	2,271,589	171,679
General Long-Term Debt	\$ 55,926,586	\$ 35,603,501	\$ 8,579,781	\$ 82,950,306	\$ 6,410,766

General obligation bonds payable are comprised of the following individual issues:

<i>June 30, 2016</i>	<i>Principal Outstanding</i>	<i>Remaining Interest Requirements</i>
2012 Refunding Bonds, \$55,780,000, due in annual installments of \$4,245,000 to \$6,410,000 through May 1, 2023, interest at 2.125% to 4.00%	\$ 42,150,000	\$ 6,452,675
2016 School Building and Site Bonds, \$29,935,000, due in annual installments of \$675,000 to \$6,025,000 through May 1, 2044, interest at 2.00% to 5.00%	29,935,000	23,830,312
	\$ 72,085,000	\$ 30,282,987

Kentwood Public Schools Kentwood, Michigan

Notes to Financial Statements

Debt Service Requirements

The annual requirements to service the bonds outstanding to maturity including both principal and interest, excluding compensated absences, are as follows:

<i>Year ending June 30,</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2017	\$ 5,540,000	\$ 3,334,481	\$ 8,874,481
2018	6,380,000	2,763,469	9,143,469
2019	6,590,000	2,508,269	9,098,269
2020	6,845,000	2,258,668	9,103,668
2021	6,970,000	2,099,150	9,069,150
2022-2026	18,070,000	7,016,200	25,086,200
2027-2031	6,025,000	4,820,000	10,845,000
2032-2036	6,025,000	3,313,750	9,338,750
2037-2041	6,025,000	1,807,500	7,832,500
2042-2044	3,615,000	361,500	3,976,500
	\$ 72,085,000	\$ 30,282,987	\$ 102,367,987

9. Risk Management and Benefits

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The District is a member of the West Michigan Risk Management Trust (the Trust), a self-insurance program with 28 districts pooling together to insure property, liability and auto exposures. Premiums from members of the Trust are arrived at through standard underwriting procedures. The members of the Trust have contributed amounts sufficient to fund individual and aggregate losses up to \$250,000 and \$1,071,012, respectively, on an annual basis. Excess insurance has been purchased to cover claims exceeding those amounts. A \$1,000 per occurrence deductible for property losses is maintained to place the responsibility for small charges with the members of the Trust.

The District is a member of the West Michigan Workers' Compensation Fund (the Fund), a self-insurance program with 16 districts pooling together to insure workers' compensation and employers' liability exposures. The Fund pays the first \$450,000 of any workers' compensation or employers' liability loss out of a \$1,591,471 loss fund collected from members. Excess insurance has been purchased to cover claims exceeding those amounts.

Health and life insurance is provided by private insurance carriers. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Kentwood Public Schools Kentwood, Michigan

Notes to Financial Statements

10. Property Tax Millage

For the 2015-16 school year, a portion of the District's revenues was attributable to local property taxes. The taxable value, by taxing district, and tax levy for the year ended June 30, 2016, consist of the following:

<i>Taxing District</i>	<i>Non-Homestead Taxable Value</i>	<i>Levy for General Operating*</i>	<i>Total Taxable Value</i>	<i>Levy for Debt Retirement (4.6 Mills)</i>	<i>Levy for Capital Projects (1.6 Mills)</i>
City of Kentwood	\$ 876,613,298	\$ 12,404,666	\$ 1,429,002,393	\$ 5,001,508	\$ 2,286,404
Gaines Township	126,941,688	2,182,455	375,174,704	1,313,111	600,280
City of Grand Rapids	117,797,425	1,841,307	162,618,372	569,164	260,189
Byron Township	38,650,769	643,790	56,126,896	196,444	89,803
City of Wyoming	4,810,258	80,819	10,177,534	35,621	16,284
	\$ 1,164,813,438	\$ 17,153,037	\$ 2,033,099,899	\$ 7,115,848	\$ 3,252,960

* Levy based on six mills for commercial personal property and 18 mills for all other non-pre (principal residence Exemption) property.

11. Bond Compliance and Sinking Fund

The Capital Projects Funds include activities funded by bonds that were issued after February 2, 2016. For these capital projects, the District has complied with the applicable provisions of Section 1351a of the Revised School Code. The District's Capital Projects Funds also includes capital project activities funded with a sinking fund millage. For this fund, the District has complied with the applicable provision of Section 1212(1) of the Revised School Code and the Michigan Department of Treasury Letter No. 01-95.

12. New Accounting Standards

For the year ended June 30, 2016, the District implemented the following new pronouncements:

GASB Statement No. 72, *Fair Value Measurement and Application*.

Summary

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

Only the District's managed account was subject to GASB Statement No. 72.

Required Supplementary Information

**Kentwood Public Schools
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**Schedule of the District's Proportionate Share of the Net Pension Liability
Michigan Public School Employees Retirement Plan
(Amounts Were Determined as of September 30, of Each Fiscal Year)**

	2015	2014
District's proportion of net pension liability (%)	0.56389%	0.54650%
District's proportionate share of net pension liability	\$ 137,730,274	\$ 120,373,886
District's covered-employee payroll	\$ 48,444,603	\$ 47,521,054
District's proportionate share of net pension liability as a percentage of its covered-employee payroll	284.30%	253.31%
Plan fiduciary net position as a percentage of total pension liability	62.92%	66.20%

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

**Kentwood Public Schools
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**Schedule of the District's Contributions
Michigan Public School Employees Retirement Plan
(Amounts Were Determined as of June 30, of Each Fiscal Year)**

<i>June 30,</i>	2016	2015
Statutorily required contributions	\$ 8,491,211	\$ 10,372,633
Contributions in relation to statutorily required contributions	8,491,211	10,372,633
Contribution deficiency (excess)	\$ -	\$ -
District's covered-employee payroll	\$ 38,949,184	\$ 38,531,074
Contributions as a percentage of covered-employee payroll	21.80%	26.92%

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

**Kentwood Public Schools
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Notes to Required Supplementary Information

Changes of benefit terms - There were no changes of benefit terms in 2015.

Changes of assumptions - There were no changes of benefit assumptions in 2015.

Supplementary Information

General Fund

Kentwood Public Schools Kentwood, Michigan

General Fund Schedule of Sources of Financial Resources - Budget to Actual

<i>Year ended June 30, 2016</i>	<i>Final Budget</i>	<i>2016 Actual</i>	<i>Variance Positive (Negative)</i>	<i>2015 Actual</i>
Revenues:				
Local sources:				
Property taxes	\$ 17,481,500	\$ 17,046,216	\$ (435,284)	\$ 16,775,423
Penalties and interest	15,000	14,543	(457)	20,401
Admissions	80,000	77,792	(2,208)	79,511
Investment income	7,000	9,289	2,289	283
Tuition:				
Regular	185,000	163,000	(22,000)	187,988
Summer school	15,000	6,268	(8,732)	11,019
Drivers education	35,000	33,380	(1,620)	36,150
Pre-school	125,000	99,546	(25,454)	133,407
Leisure	2,000	2,842	842	1,604
School age child care	300,000	303,490	3,490	332,578
Community swim program	176,500	145,912	(30,588)	207,322
Other:				
Rentals	60,000	54,917	(5,083)	76,157
Transportation	1,390,000	1,401,409	11,409	892,210
Miscellaneous	410,000	376,450	(33,550)	649,652
Total revenues from local sources	20,282,000	19,735,054	(546,946)	19,403,705
State sources:				
Restricted state grants	14,460,650	14,399,632	(61,018)	7,719,102
Unrestricted state aid	44,900,000	44,883,052	(16,948)	48,980,474
Total revenues from state sources	59,360,650	59,282,684	(77,966)	56,699,576
Federal sources:				
IDEA	2,260,000	2,348,851	88,851	2,264,205
Title I, Title II, and Title III	3,230,165	2,491,356	(738,809)	2,831,908
Twenty-First Century	2,025,000	2,025,000	-	2,025,000
Other grants	-	12,995	12,995	22,585
Total revenues from federal sources	7,515,165	6,878,202	(636,963)	7,143,698
Other - County special education tax	5,250,000	5,207,232	(42,768)	5,067,197
Total Revenues	92,407,815	91,103,172	(1,304,643)	88,314,176
Other Financing Sources:				
Transfers in	250,000	260,000	10,000	1,033,544
Gain on sale of capital assets	5,000	3,900	(1,100)	3,850
Total Other Financing Sources	255,000	263,900	8,900	1,037,394
Total Revenues and Other Financing Sources	\$ 92,662,815	\$ 91,367,072	\$ (1,295,743)	\$ 89,351,570

**Kentwood Public Schools
Kentwood, Michigan**

**General Fund
Schedule of Uses of Financial Resources - Budget to Actual**

<i>Year ended June 30, 2016</i>	<i>Salaries</i>	<i>Benefits</i>	<i>Purchased Services</i>	<i>Supplies, Materials and Other Expenditures</i>
Expenditures:				
Instruction:				
Basic programs:				
Elementary	\$ 11,029,380	\$ 7,119,394	\$ 33,037	\$ 324,251
Middle school	6,439,968	4,074,189	126,225	189,683
Secondary	8,292,331	5,341,652	268,279	613,670
Preschool	64,704	30,208	24	1,921
Total basic programs	25,826,383	16,565,443	427,565	1,129,525
Added needs:				
Special education	5,968,196	3,791,352	3,583	1,060,063
Driver education	24,219	8,669	3,875	2,310
Compensatory education	842,641	421,989	19,881	309,458
Vocational education - other	403,357	261,921	10,984	92,352
Total added needs	7,238,413	4,483,931	38,323	1,464,183
Total instruction	33,064,796	21,049,374	465,888	2,593,708
Support services:				
Student:				
Guidance	1,077,489	706,706	424	6,765
Social	86,363	62,967	790,397	2,284
Speech pathology and audiology	95,623	48,067	920,544	4,323
Psychological	76,792	39,657	429,088	6,193
Health	12,201	5,537	238,847	1,199
Teacher consultants	121,496	68,911	415,290	-
Total student	1,469,964	931,845	2,794,590	20,764
Instructional staff:				
Supervision	771,302	538,648	100,770	56,936
Improvement of instruction	705,569	407,174	120,655	344,358
Library	360,533	211,838	-	70,977
Total instructional staff	1,837,404	1,157,660	221,425	472,271

**Kentwood Public Schools
Kentwood, Michigan**

General Fund

Schedule of Uses of Financial Resources - Budget to Actual (Continued)

<i>Capital Outlay</i>	<i>2016 Total Actual Expenditures</i>	<i>Final Budget</i>	<i>Variance Positive (Negative)</i>	<i>2015 Total Actual Expenditures</i>
\$ 7,625	\$ 18,513,687	\$ 18,450,755	\$ (62,932)	\$ 17,999,031
9,160	10,839,225	10,785,285	(53,940)	10,591,677
21,728	14,537,660	14,943,610	405,950	14,136,756
-	96,857	127,655	30,798	129,928
38,513	43,987,429	44,307,305	319,876	42,857,392
-	10,823,194	10,924,210	101,016	10,716,396
-	39,073	47,200	8,127	38,894
-	1,593,969	1,816,550	222,581	2,101,935
4,855	773,469	808,175	34,706	777,954
4,855	13,229,705	13,596,135	366,430	13,635,179
43,368	57,217,134	57,903,440	686,306	56,492,571
-	1,791,384	1,771,100	(20,284)	1,857,067
-	942,011	1,088,800	146,789	1,035,146
-	1,068,557	1,035,570	(32,987)	1,042,470
-	551,730	624,040	72,310	559,988
-	257,784	296,125	38,341	249,969
-	605,697	643,945	38,248	631,484
-	5,217,163	5,459,580	242,417	5,376,124
-	1,467,656	1,346,465	(121,191)	1,395,945
-	1,577,756	2,052,945	475,189	1,249,634
-	643,348	676,135	32,787	652,379
-	3,688,760	4,075,545	386,785	3,297,958

**Kentwood Public Schools
Kentwood, Michigan**

General Fund

Schedule of Uses of Financial Resources - Budget to Actual (Continued)

<i>Year ended June 30, 2016</i>	<i>Salaries</i>	<i>Benefits</i>	<i>Purchased Services</i>	<i>Supplies, Materials and Other Expenditures</i>
Expenditures (Concluded):				
Support services (Concluded):				
General administration:				
Executive administration	\$ 889,939	\$ 757,937	\$ 91,420	\$ 76,854
Board of education	5,320	934	178,675	15,038
Total general administration	895,259	758,871	270,095	91,892
School administration	3,095,211	2,181,613	44,471	40,085
Business:				
Operation and maintenance	2,287,806	1,607,414	2,830,293	216,920
Student transportation	943,167	681,856	119,509	2,022,147
Fiscal services	374,249	248,496	324,016	(92,549)
Information services	528,629	392,392	63,665	481,289
Security services	321,939	220,516	24,122	18,160
Total business	4,455,790	3,150,674	3,361,605	2,645,967
Total support services	11,753,628	8,180,663	6,692,186	3,270,979
Community services	711,735	327,077	1,291,740	201,289
Athletics	741,076	370,233	67,866	316,162
Total Expenditures	\$ 46,271,235	\$ 29,927,347	\$ 8,517,680	\$ 6,382,138

**Kentwood Public Schools
Kentwood, Michigan**

General Fund

Schedule of Uses of Financial Resources - Budget to Actual (Concluded)

<i>Capital Outlay</i>	<i>2016 Total Actual Expenditures</i>	<i>Final Budget</i>	<i>Variance Positive (Negative)</i>	<i>2015 Total Actual Expenditures</i>
\$ -	\$ 1,816,150	\$ 1,706,220	\$ (109,930)	\$ 1,516,301
-	199,967	229,115	29,148	160,803
-	2,016,117	1,935,335	(80,782)	1,677,104
1,349	5,362,729	5,379,430	16,701	5,145,268
38,275	6,980,708	7,231,340	250,632	6,842,163
-	3,766,679	3,750,955	(15,724)	3,712,764
-	854,212	995,320	141,108	835,005
14,792	1,480,767	1,352,695	(128,072)	1,326,788
2,494	587,231	538,710	(48,521)	569,845
55,561	13,669,597	13,869,020	199,423	13,286,565
56,910	29,954,366	30,718,910	764,544	28,783,019
-	2,531,841	2,602,720	70,879	2,576,354
-	1,495,337	1,531,640	36,303	1,461,617
\$ 100,278	\$ 91,198,678	\$ 92,756,710	\$ 1,558,032	\$ 89,313,561

Nonmajor Governmental Funds

**Kentwood Public Schools
Kentwood, Michigan**

**Nonmajor Governmental Funds
Combining Balance Sheet**

<i>June 30, 2016</i>	<i>Special Revenue</i>	
	<i>Ice Arena</i>	<i>Food Service</i>
Assets:		
Cash and deposits	\$ 15,035	\$ 1,818,389
Taxes receivable	-	-
Accounts receivable	-	145,132
Due from other funds	2,497	23,333
Inventories	5,382	18,251
Total Assets	\$ 22,914	\$ 2,005,105
Liabilities and Fund Balance		
Liabilities:		
Accounts payable	\$ 5,901	\$ 24,371
Salaries payable	-	59,259
Accrued employee benefits	-	14,253
Due to other funds	-	16,072
Unearned revenue	-	-
Total Liabilities	5,901	113,955
Fund Balance:		
Nonspendable - inventories	5,382	18,251
Restricted for:		
Ice arena	11,631	-
Food Service	-	1,872,899
Debt service	-	-
Capital projects	-	-
Total Fund Balance	17,013	1,891,150
Total Liabilities and Fund Balance	\$ 22,914	\$ 2,005,105

**Kentwood Public Schools
Kentwood, Michigan**

**Nonmajor Governmental Funds
Combining Balance Sheet (Concluded)**

<u>Debt Retirement</u>	<u>Capital Projects</u>	
<u>2012 Kentwood Bonds</u>	<u>2006 Building and Site</u>	<u>Total</u>
\$ 1,298,825	\$ 1,455,539	\$ 4,587,788
84,530	23,886	108,416
243	93	145,468
-	-	25,830
-	-	23,633
<u>\$ 1,383,598</u>	<u>\$ 1,479,518</u>	<u>\$ 4,891,135</u>
\$ -	\$ 961,615	\$ 991,887
-	-	59,259
-	-	14,253
-	-	16,072
84,528	23,888	108,416
<u>84,528</u>	<u>985,503</u>	<u>1,189,887</u>
-	-	23,633
-	-	11,631
-	-	1,872,899
1,299,070	-	1,299,070
-	494,015	494,015
<u>1,299,070</u>	<u>494,015</u>	<u>3,701,248</u>
<u>\$ 1,383,598</u>	<u>\$ 1,479,518</u>	<u>\$ 4,891,135</u>

**Kentwood Public Schools
Kentwood, Michigan**

**Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**

<i>Year ended June 30, 2016</i>	<i>Special Revenue</i>	
	<i>Ice Arena</i>	<i>Food Service</i>
Revenues:		
Local sources:		
Property taxes	\$ -	\$ -
Penalties and interest	-	-
Industrial facilities tax	-	-
Investment income	-	-
Food service	-	819,326
Ice arena	329,304	-
Other	-	135,142
State sources	10,718	269,286
Federal sources	-	3,828,218
Total Revenues	340,022	5,051,972
Expenditures:		
Current:		
Salaries	94,217	1,218,988
Employee benefits	63,324	747,449
Contracted services	24,460	-
Repairs	15,309	36,397
Utilities	81,663	-
Purchased merchandise	42,437	-
Supplies	7,210	84,634
Food purchases	11,497	1,746,354
Other	20,332	127,179
Capital outlay	-	899,229
Debt service:		
Principal retirement	-	-
Interest and other charges	-	-
Total Expenditures	360,449	4,860,230
Excess (Deficiency) of Revenues Over Expenditures	(20,427)	191,742
Other Financing Sources (Uses) -		
Transfers in (out)	-	(260,000)
Changes in Fund Balance	(20,427)	(68,258)
Fund Balance, beginning of year	37,440	1,959,408
Fund Balance, end of year	\$ 17,013	\$ 1,891,150

Kentwood Public Schools Kentwood, Michigan

Nonmajor Governmental Funds

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Concluded)

<i>Debt Retirement</i>		<i>Capital Projects</i>	
<i>2007 Kentwood Bonds</i>	<i>2012 Kentwood Bonds</i>	<i>2006 Building and Site</i>	<i>Total</i>
\$ -	\$ 7,090,702	\$ 3,242,437	\$ 10,333,139
-	6,129	2,651	8,780
-	123,100	56,268	179,368
-	-	3	3
-	-	-	819,326
-	-	-	329,304
-	-	-	135,142
-	-	-	280,004
-	-	-	3,828,218
-	7,219,931	3,301,359	15,913,284
-	-	-	1,313,205
-	-	-	810,773
-	-	-	24,460
-	-	-	51,706
-	-	-	81,663
-	-	-	42,437
-	-	-	91,844
-	-	-	1,757,851
-	-	68,117	215,628
-	-	3,374,615	4,273,844
-	5,375,000	-	5,375,000
-	1,786,919	-	1,786,919
-	7,161,919	3,442,732	15,825,330
-	58,012	(141,373)	87,954
(425,273)	425,273	-	(260,000)
(425,273)	483,285	(141,373)	(172,046)
425,273	815,785	635,388	3,873,294
\$ -	\$ 1,299,070	\$ 494,015	\$ 3,701,248

Agency Funds

**Kentwood Public Schools
Kentwood, Michigan**

**Agency Funds
Statement of Changes in Assets and Liabilities**

<i>Student Activities Fund</i>	<i>Balance, July 1, 2015</i>	<i>Additions</i>	<i>Deletions</i>	<i>Balance, June 30, 2016</i>
Assets:				
Cash and deposits	\$ 492,660	\$ 987,320	\$ 998,431	\$ 481,549
Accounts receivable	7,231	637	7,231	637
Total Assets	\$ 499,891	\$ 987,957	\$ 1,005,662	\$ 482,186
Liabilities:				
Accounts payable	\$ 15,152	\$ 14,969	\$ 15,152	\$ 14,969
Due to affiliated organizations	484,739	467,217	484,739	467,217
Total Liabilities	\$ 499,891	\$ 482,186	\$ 499,891	\$ 482,186

Schedule of Outstanding Bonded Indebtedness

Kentwood Public Schools Kentwood, Michigan

Schedule of Outstanding Bonded Indebtedness

Bonds in the amount of \$55,780,000 were sold during 2012 for the purpose of advance refunding a portion of bonds issued in 2003. The bonds are dated March 9, 2012. Bonds in the amount of \$29,935,000 were sold during 2016. The bonds are dated February 2, 2016. The following schedule presents the detail of the outstanding bonds at June 30, 2016:

2012			2016 Building and			
Refunding Bonds			Site Bonds		Total	
	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>
2017	\$ 5,540,000	\$ 1,571,719	\$ -	\$ 1,762,762	\$ 5,540,000	\$ 3,334,481
2018	5,705,000	1,350,119	675,000	1,413,350	6,380,000	2,763,469
2019	5,890,000	1,121,919	700,000	1,386,350	6,590,000	2,508,269
2020	6,095,000	886,318	750,000	1,372,350	6,845,000	2,258,668
2021	6,185,000	756,800	785,000	1,342,350	6,970,000	2,099,150
2022	6,325,000	509,400	820,000	1,326,650	7,145,000	1,836,050
2023	6,410,000	256,400	915,000	1,310,250	7,325,000	1,566,650
2024	-	-	1,200,000	1,264,500	1,200,000	1,264,500
2025	-	-	1,200,000	1,204,500	1,200,000	1,204,500
2026	-	-	1,200,000	1,144,500	1,200,000	1,144,500
2027	-	-	1,205,000	1,084,500	1,205,000	1,084,500
2028	-	-	1,205,000	1,024,250	1,205,000	1,024,250
2029	-	-	1,205,000	964,000	1,205,000	964,000
2030	-	-	1,205,000	903,750	1,205,000	903,750
2031	-	-	1,205,000	843,500	1,205,000	843,500
2032	-	-	1,205,000	783,250	1,205,000	783,250
2033	-	-	1,205,000	723,000	1,205,000	723,000
2034	-	-	1,205,000	662,750	1,205,000	662,750
2035	-	-	1,205,000	602,500	1,205,000	602,500
2036	-	-	1,205,000	542,250	1,205,000	542,250
2037	-	-	-	482,000	-	482,000
2038	-	-	2,410,000	421,750	2,410,000	421,750
2039	-	-	-	361,500	-	361,500
2040	-	-	-	301,250	-	301,250
2041	-	-	3,615,000	241,000	3,615,000	241,000
2042	-	-	-	180,750	-	180,750
2043	-	-	-	120,500	-	120,500
2044	-	-	3,615,000	60,250	3,615,000	60,250
	\$ 42,150,000	\$ 6,452,675	\$ 29,935,000	\$ 23,830,312	\$ 72,085,000	\$ 30,282,987

The bonds are not subject to redemption prior to maturity.

Single Audit



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*

Board of Education
Kentwood Public Schools
Kentwood, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Kentwood Public Schools (the District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, and have issued our report thereon dated October 24, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our 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.

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 District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 may exist that have not been identified.



Compliance and Other Matters

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

Purpose of this Report

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

BDO USA, LLP

Kalamazoo, Michigan

October 24, 2016



Independent Auditor's Report on Compliance For Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

Board of Education
Kentwood Public Schools
Kentwood, Michigan

Report on Compliance for Each Major Federal Program

We have audited Kentwood Public Schools (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2016. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.



Opinion on Each Major Federal Program

In our opinion, the District 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, 2016.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's 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 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

BDO USA, LLP

Kalamazoo, Michigan

October 24, 2016

Schedule of Expenditures of Federal Awards

**Kentwood Public Schools
Kentwood, Michigan**

**Schedule of Expenditures of Federal Awards
June 30, 2016**

<i>Federal Grantor/Pass-Through Grantor/Program or Cluster Title/Project Number</i>	<i>Federal CFDA Number</i>	<i>Program or Award Amount</i>	<i>Prior Year Expenditures (Memo- random Only)</i>	<i>Accrued Revenue at July 1, 2015</i>	<i>Adjustments</i>	<i>Current Year Receipts</i>	<i>Current Year Expendi- tures</i>	<i>Accrued Revenue at June 30, 2016</i>	<i>Passed Through to Subrecipients</i>
U.S. Department of Agriculture:									
<i>Passed Through Michigan Dept. of Education:</i>									
<i>Child Nutrition Cluster:</i>									
151970 Breakfast	10.553	\$ 668,214	\$ 668,214	\$ 25,854	\$ -	\$ 25,854	\$ -	\$ -	-
161970 Breakfast	10.553	755,285	-	-	-	755,285	755,285	-	-
		1,423,499	668,214	25,854	-	781,139	755,285	-	-
<i>Non-Cash Assistance (Entitlement Commodities)</i>									
151960 NSLP Section 4 - All Lunches	10.555	313,495	255,223	-	-	313,495	313,495	-	-
161960 NSLP Section 4 - All Lunches	10.555	1,815,299	1,873,435	58,136	-	58,136	-	-	-
161960 NSLP Section 4 - All Lunches	10.555	2,387,702	-	-	-	2,255,228	2,387,702	132,474	-
161980 NSLP - Afternoon Snacks	10.555	7,064	-	-	-	7,064	7,064	-	-
		4,523,560	2,128,658	58,136	-	2,633,923	2,708,261	132,474	-
Total Child Nutrition Cluster		5,947,059	2,796,872	83,990		3,415,062	3,463,546	132,474	-
<i>Child and Adult Care Food Program:</i>									
151920 CACFP	10.558	275,371	284,532	9,161	-	9,161	-	-	-
152010 CACFP	10.558	17,894	18,490	596	-	596	-	-	-
161920 CACFP	10.558	346,681	-	-	-	334,023	346,681	12,658	-
162010 CACFP	10.558	17,991	-	-	-	17,991	17,991	-	-
Total Child and Adult Care Food Program		657,937	303,022	9,757	-	361,771	364,672	12,658	-
Total U.S. Department of Agriculture		6,604,996	3,099,894	93,747	-	3,776,833	3,828,218	145,132	-

See accompanying notes to financial statements.

Kentwood Public Schools Kentwood, Michigan

Schedule of Expenditures of Federal Awards (Continued) June 30, 2016

Federal Grantor/Pass-Through Grantor/Program or Cluster Title/Project Number	Federal CFDA Number	Program or Award Amount	Prior Year Expenditures (Memo- random Only)	Accrued Revenue at July 1, 2015	Adjustments	Current Year Receipts	Current Year Expendi- tures	Accrued Revenue at June 30, 2016	Passed Through to Subrecipients
U.S. Department of Education:									
<i>Passed Through Michigan Department of Education:</i>									
Title I, Part A - Grants to Local Educational Agencies:									
141530 1314	84.010	\$ -	\$ -	\$ -	(13,236)	\$ (13,236)	\$ -	\$ -	-
151530 1415	84.010	2,855,385	1,860,280	367,033	-	558,756	191,723	-	-
161530 1516	84.010	2,629,863	-	-	-	1,529,546	1,904,998	375,452	-
Total Title I, Part A		5,485,248	1,860,280	367,033	(13,236)	2,075,066	2,096,721	375,452	-
Twenty-First Century Community Learning Centers:									
152110 114071	84.287	675,000	675,000	140,223	-	140,223	-	-	-
152110 114072	84.287	675,000	675,000	160,967	-	160,967	-	-	-
152110 114073	84.287	675,000	675,000	114,267	-	114,267	-	-	-
162110 114071	84.287	675,000	-	-	-	559,939	675,000	115,061	-
162110 114072	84.287	675,000	-	-	-	550,273	675,000	124,727	-
162110 114073	84.287	675,000	-	-	-	596,533	675,000	78,467	-
Total Twenty-First Century		4,050,000	2,025,000	415,457	-	2,122,202	2,025,000	318,255	-
Title III - English Language Acquisition State Grants:									
140580 1314	84.365	-	-	-	(8,899)	(8,899)	-	-	-
150570 1415	84.365	168,961	118,350	32,830	-	64,247	31,417	-	-
150580 1415	84.365	173,083	171,845	31,682	-	31,682	-	-	-
160570 1516	84.365	76,765	-	-	-	11,437	22,174	10,737	-
160580 1516	84.365	160,872	-	-	-	141,561	152,676	11,115	-
160590 1516	84.365	1,967	-	-	-	1,967	1,967	-	-
Total Title III		581,648	290,195	64,512	(8,899)	241,995	208,234	21,852	-
Title II, Part A - Improving Teacher Quality State Grants:									
140520 1314	84.367	-	-	-	(4,332)	(4,332)	-	-	-
150520 1415	84.367	466,802	345,803	60,152	(2,604)	58,573	1,025	-	-
160520 1516	84.367	362,827	-	-	-	201,110	185,377	(15,733)	-
Total Title II, Part A		829,629	345,803	60,152	(6,936)	255,351	186,402	(15,733)	-
Total Passed Through Michigan Department of Education		10,946,525	4,521,278	907,154	(29,071)	4,694,614	4,516,357	699,826	-

See accompanying notes to financial statements.

**Kentwood Public Schools
Kentwood, Michigan**

**Schedule of Expenditures of Federal Awards (Concluded)
June 30, 2016**

<i>Federal Grantor/Pass-Through Grantor/Program or Cluster Title/Project Number</i>	<i>Federal CFDA Number</i>	<i>Program or Award Amount</i>	<i>Prior Year Expenditures (Memo- randum Only)</i>	<i>Accrued Revenue at July 1, 2015</i>	<i>Adjustments</i>	<i>Current Year Receipts</i>	<i>Current Year Expendi- tures</i>	<i>Accrued Revenue at June 30, 2016</i>	<i>Passed Through to Subrecipients</i>
U.S. Department of Education (Continued):									
<i>Passed Through Kent Intermediate</i>									
<i>School District:</i>									
<i>IDEA Cluster:</i>									
<i>Special Education Grants to States</i>									
<i>(Flow-through):</i>									
150450 1415	84.027	\$ 2,179,941	\$ 2,179,941	\$ 478,232	\$ -	\$ 478,232	\$ -	\$ -	-
160450 1516	84.027	2,263,121	-	-	-	1,842,933	2,263,121	420,188	-
Total Special Education Grants to States		4,443,062	2,179,941	478,232	-	2,321,165	2,263,121	420,188	
<i>IDEA - Special Education - Preschool Grants:</i>									
150460 1415	84.173	81,103	81,103	17,851	-	17,851	-	-	-
160460 1516	84.173	85,730	-	-	-	78,157	85,730	7,573	-
Total IDEA - Special Education		166,833	81,103	17,851	-	96,008	85,730	7,573	
Total IDEA Cluster		4,609,895	2,261,044	496,083	-	2,417,173	2,348,851	427,761	-
<i>Total Passed Through Kent Intermediate</i>									
<i>School District</i>		4,609,895	2,261,044	496,083	-	2,417,173	2,348,851	427,761	-
Total U.S. Department of Education		15,556,420	6,782,322	1,403,237	(29,071)	7,111,787	6,865,208	1,127,587	-
U.S. Department of Health and Human Services:									
<i>Passed Through Kent Intermediate</i>									
<i>School District:</i>									
<i>School based Medicaid 15/16</i>									
Medicaid Outreach	93.778	12,994	-	-	-	12,994	12,994	-	-
Total U.S. Department of Health and Human Services		12,994	-	-	-	12,994	12,994	-	-
Total Federal Financial Assistance		\$ 22,174,410	\$ 9,882,216	\$ 1,496,984	\$ (29,071)	\$ 10,901,614	\$ 10,706,420	\$ 1,272,719	\$ -

See accompanying notes to financial statements.

Kentwood Public Schools Kentwood, Michigan

Notes to Schedule of Expenditures of Federal Awards

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the District under programs of the federal government for the year ended June 30, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) 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 the District, it is not intended to and does not present the financial position of changes in net position of the District.

Expenditures in this schedule reconcile with amounts reported in the basic financial statements and financial reports. Management has utilized the MDE Cash Management System (CMS) Grant Auditor Report (GAR) in preparing the Schedule of Expenditures of Federal Awards. Inventory values are based on the USDA value for donated food commodities and include spoilage.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting, which is described in Note 1 to the District's financial statements. 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 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. The District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

3. Adjustments

Adjustments recorded in the Schedule of Expenditures of Federal Awards relate to unallowed expenditures for prior period grants. The State of Michigan withheld funds for these unallowed expenditures from current year reimbursement requests.

**Kentwood Public Schools
Kentwood, Michigan**

**Schedule of Findings and Questioned Costs
June 30, 2016**

Section I - Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
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Internal control over financial reporting:

Material weaknesses identified?	No
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Significant deficiencies identified?	No (none reported)
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Noncompliance material to financial statements noted?	No
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Federal Awards

Internal control over major federal programs:

Material weaknesses identified?	No
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Significant deficiencies identified?	No (none reported)
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Type of auditor's report issued on compliance for major federal programs:	Unmodified
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Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (a)?	No
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Identification of major federal programs:

<u><i>Name of Federal Program or Cluster</i></u>	<u><i>CFDA Number</i></u>
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Title I, Part A	84.010
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Twenty-first Century Community Learning Centers	84.287
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Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
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Auditee qualified as low-risk auditee?	Yes
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Section II - Financial Statement Findings
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No matters were reported.

Section III - Federal Award Findings and Questioned Costs
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No matters were reported.