KENTWOOD PUBLIC SCHOOLS

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

YEAR ENDED JUNE 30, 2025

Maner Costerisan

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Maner Costerisan

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Kentwood Public Schools

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Kentwood Public Schools, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Kentwood Public Schools' basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Kentwood Public Schools, as of June 30, 2025, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Change in Accounting Principle

As discussed in Note 14 to the financial statements, the District adopted GASB Statement No. 101, *Compensated Absences.* Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Kentwood Public Schools' internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Kentwood Public Schools' ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Kentwood Public Schools' basic financial statements. The accompanying additional supplementary information, as identified in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional supplementary information, is 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 14, 2025 on our consideration of Kentwood Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Kentwood Public Schools' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Kentwood Public Schools' internal control over financial reporting and compliance.

Maner Costerisan PC

October 14, 2025

This section of the Kentwood Public Schools' (the "District") annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended on June 30, 2025. Please read it in conjunction with the District's financial statements which immediately follow this section. A comparative analysis with the prior year has been provided.

District-wide Financial Statements

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

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

Fund Financial Statements

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

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

In the fund financial statements, capital assets purchased are considered expenditures in the year of acquisition with no asset being reported. The issuance of debt is treated as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. The obligations for future years' debt service are not recorded in the fund financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

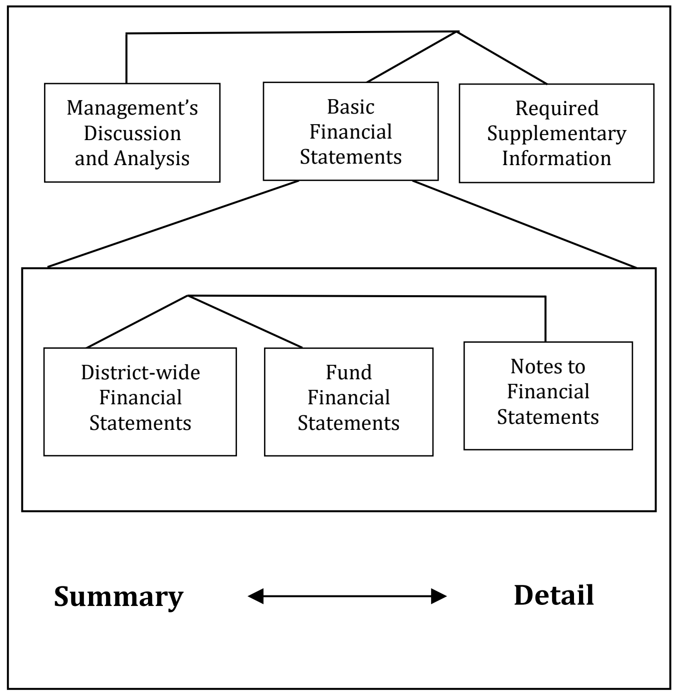
- The first two statements are *District-wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.

- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations *in more detail* than the District-wide statements.

- The *governmental funds* statements tell how *basic* services like regular and special education were financed in the *short-term* as well as what remains for future spending.

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

Figure A-1
Organization of Kentwood Public Schools' Annual Financial Report



FUND FINANCIAL STATEMENTS

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position - The District's combined net deficit improved as of June 30, 2025 as compared to the previous year ended June 30, 2024.

Net Position

	2025	2024*
ASSETS		
Current assets	$ 94,875,699	$ 108,874,654
Net other postemployment benefits asset	29,309,755	3,646,460
Capital assets	274,635,395	236,564,993
TOTAL ASSETS	398,820,849	349,086,107
DEFERRED OUTFLOWS OF RESOURCES	66,361,577	76,621,353
LIABILITIES		
Non-current liabilities	180,113,149	156,472,288
Net pension liability	161,880,645	204,491,898
Other liabilities	35,754,822	35,175,988
TOTAL LIABILITIES	377,748,616	396,140,174
DEFERRED INFLOWS OF RESOURCES	92,981,156	63,757,515
NET POSITION		
Net investment in capital assets	133,297,770	131,072,394
Restricted for net other postemployment benefits	29,309,755	3,646,460
Restricted for capital projects (sinking fund)	1,547,081	685,273
Restricted for debt service	195,031	-
Unrestricted	(169,896,983)	(169,594,356)
TOTAL NET POSITION	$ (5,547,346)	$ (34,190,229)

*The 2024 numbers have not been updated for the adoption of GASB 101

Changes in Net Position

	2025	2024*
REVENUES		
Program revenues		
Charges for services	$ 912,053	$ 611,680
Operating grants and contributions	69,996,114	73,488,052
General revenues		
Property taxes	41,654,465	38,560,561
Investment earnings	3,427,677	4,565,280
State sources	66,334,105	66,744,705
Intermediate sources	16,855,035	15,483,863
Gain on disposal of capital assets	139,324	-
Other	1,950,180	547,322
TOTAL REVENUES	201,268,953	200,001,463
EXPENSES		
Instruction	75,666,163	81,247,324
Support services	60,587,814	61,528,843
Community services	528,821	5,829,181
Athletics	4,164,010	3,830,603
Food services	9,544,133	8,611,913
Student / school activities	3,892,665	771,479
Unallocated depreciation/amortization	9,865,338	9,516,226
Loss on disposal of capital assets	-	525,765
Interest on long-term debt	6,842,459	7,243,662
TOTAL EXPENSES	171,091,403	179,104,996
Change in net position	$ 30,177,550	$ 20,896,467

*The 2024 numbers have not been updated for the adoption of GASB 101

STATE OF MICHIGAN UNRESTRICTED AID (State Foundation Grant)

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

a. The Michigan State Aid Act per student foundation allowance which was established under Proposal A has increased from $4,200 per student in 1995 to $9,608 per student in 2024-2025. The per student State foundation allowance remained the same as compared to the prior year.

b. The District's non-personal residence exempt levy for 2024-2025 was 18.0000 mills.

Student enrollment increased from 9,330 in 2023-2024 to 9,542 in 2024-2025. For the subsequent school year, it is hopeful that enrollment will remain consistent with 2024-2025.

GOVERNMENTAL FUNDS

Results of Operations

For the fiscal years ended June 30, 2025 and 2024, the total fund-level results of operations were:

	2025	2024
REVENUES		
Local sources	$ 51,915,923	$ 45,249,695
State sources	109,666,523	109,820,220
Federal sources	19,139,034	25,155,532
Interdistrict sources	16,855,035	15,483,863
TOTAL REVENUES	$ 197,576,515	$ 195,709,310
EXPENDITURES		
Current		
Instruction	$ 90,028,131	$ 87,094,977
Supporting services	74,802,560	73,080,102
Food service activities	9,682,143	8,713,515
Student / school activities	3,892,665	771,479
Community service activities	1,186,097	767,264
Capital outlays	47,660,591	37,604,701
Payments to other governments	96,650	5,102,150
Debt service		
Principal	5,060,000	4,615,000
Interest	6,811,625	6,716,872
Other	3,047	3,498
TOTAL EXPENDITURES	$ 239,223,509	$ 224,469,558

The following summarizes the revenues and expenses by comparing fiscal year 2025 to 2024 as shown in the previous results of operations.

- Local sources increased due to increases in the taxable values across the district and a one-time E-Rate distribution to support technology infrastructure.

- Federal sources decreased due to the expiration of funding received from the education stabilization fund grants.

- Expenses increased from approximately $224.5 million in 2024 to $239.2 million in 2025, an increase of approximately $14.7 million. The increase is due to additional funds spent on capital expenditures in the various capital projects funds as well as increases in instruction and supporting services.

GENERAL FUND AND BUDGET HIGHLIGHTS

Original vs. Final Budget

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year. The original 2024-2025 budget was approved in June 2024.

The 2024-2025 budget was revised twice during the fiscal year and approved by the Board of Education in January and June of 2025. The final budget revision anticipated higher revenues and lower expenditures than was expected in June of 2024, when the original budget was approved. The increase in revenues was a result of receiving slightly more local funding than anticipated. Expenses decreased in the current year primarily due to the reclassification of certain costs to other funds.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2025, the District had invested $426.3 million in a broad range of capital assets as shown below:

Capital Assets

	2025			2024
	Cost	Accumulated Depreciation/ Amortization	Net Book Value	Net Book Value
Land	$ 3,499,206	$ -	$ 3,499,206	$ 3,499,206
Construction in progress	75,963,940	-	75,963,940	55,278,588
Building and improvements	300,836,590	128,306,582	172,530,008	162,233,931
Machinery, furniture, and equipment	37,472,286	18,947,631	18,524,655	12,847,561
Right to use - subscription-based IT	1,222,924	558,583	664,341	917,827
Vehicles	7,293,777	3,840,532	3,453,245	1,787,880
Total	$ 426,288,723	$ 151,653,328	$ 274,635,395	$ 236,564,993

LONG-TERM OBLIGATIONS

At year-end, the District had $178.7 million in long-term obligations, an approximately $23.2 million increase when compared to the prior year, without considering the restatement of compensated absences. The increase was due to the new bond issuance of $26.5 million. Offsetting the increase, the District paid down its outstanding bonds with principal payments and premium amortization of $5.6 million.

Outstanding Long-Term Obligations

	2025	2024*
General obligation bonds - net	$ 175,429,009	$ 153,846,548
Compensated absences	3,248,067	1,618,935
	$ 178,677,076	$ 155,465,483

*The 2024 numbers have not been updated for the adoption of GASB 101

FACTORS BEARING ON THE DISTRICT'S FUTURE

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

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

Since State Aid is the District's primary source of operating revenue, the timing and outcome of the State's budget process creates uncertainty regarding future funding levels. Final decisions on per-pupil allocations and categorical funding may have a significant impact on the District's financial position, operations, and long-term planning.

The District adopted a balanced budget for the upcoming fiscal year, demonstrating a commitment to fiscal responsibility and ensuring that expenditures align with available revenues. While the budget does not include contributions to fund balance reserves, the District has accumulated reserves over the past six years, providing a strong financial cushion to address any potential shortfalls while maintaining services and programs. These reserves enhance the District's fiscal stability, allowing it to manage temporary challenges without disrupting critical operations. At the same time, the District remains committed to long-term budgetary balance to ensure the continued sustainability of its programs and services.

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

In May 2021, the voters approved a $192 million bond proposal aimed at advancing excellence and innovation in our educational programs, enhancing educational technology and security, and ensuring student and staff health and wellness. Subsequently, more than $101.1 million has already been allocated towards these significant projects. The remaining funds are earmarked for gradual expenditure through 2031, strategically addressing the continued needs of the District while sustaining our commitment to educational enhancement and safety. Kentwood Public Schools remains dedicated to sound financial management while strategically advancing its goals for educational excellence. The financial landscape is marked by both opportunities and challenges, including the uncertainty of student foundation funding levels, the potential for adjustments to deferral funding levels, and the ongoing capital needs of the District.

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

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the revenues it receives. If you have any questions about this report or need any additional information, please contact Tom Lagone, Executive Director of Finance and Business Operations, in the Administration Office, Kentwood Public Schools, 5820 Eastern Ave., Kentwood, Michigan, phone number 616-455-4400.

BASIC FINANCIAL STATEMENTS

KENTWOOD PUBLIC SCHOOLS
STATEMENT OF NET POSITION
JUNE 30, 2025

	Governmental Activities
ASSETS	
Cash and cash equivalents	$ 7,967,598
Investments	17,099,350
Receivables	
Accounts receivable	1,700,396
Intergovernmental	21,118,133
Prepaids	164,916
Inventories	66,030
Restricted cash and cash equivalents - capital projects	2,532,629
Restricted investments - capital projects	44,226,647
Net other postemployment benefits asset	29,309,755
Capital assets not being depreciated/amortized	79,463,146
Capital assets, net of accumulated depreciation/amortization	195,172,249
TOTAL ASSETS	398,820,849
DEFERRED OUTFLOWS OF RESOURCES	
Related to pensions	57,837,846
Related to other postemployment benefits	8,523,731
TOTAL DEFERRED OUTFLOWS OF RESOURCES	66,361,577
LIABILITIES	
Accounts payable	13,365,416
Due to other governmental units	393,917
Accrued salaries and related items	8,732,874
Accrued retirement	4,746,553
Unearned revenue	7,232,117
Accrued interest	1,283,945
Noncurrent liabilities	
Arbitrage liability	1,436,073
Due within one year	5,954,807
Due in more than one year	172,722,269
Net pension liability	161,880,645
TOTAL LIABILITIES	377,748,616
DEFERRED INFLOWS OF RESOURCES	
Related to unavailable revenue - leases	1,150,909
Related to pensions	44,859,741
Related to other postemployment benefits	37,662,756
Related to state aid funding for pension	9,307,750
TOTAL DEFERRED INFLOWS OF RESOURCES	92,981,156
NET POSITION	
Net investment in capital assets	133,297,770
Restricted for net other postemployment benefits	29,309,755
Restricted for capital projects (sinking fund)	1,547,081
Restricted for debt service	195,031
Unrestricted	(169,896,983)
TOTAL NET POSITION	$ (5,547,346)

See notes to financial statements.

KENTWOOD PUBLIC SCHOOLS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2025

		Program Revenues		Governmental Activities
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Net (expense) Revenue and Changes in Net Position
Governmental activities				
Instruction	$ 75,666,163	$ 343,367	$ 54,533,928	$ (20,788,868)
Support services	60,587,814	-	2,268,312	(58,319,502)
Community services	528,821	19,017	-	(509,804)
Athletics	4,164,010	371,734	-	(3,792,276)
Food services	9,544,133	177,935	9,218,457	(147,741)
Student/school activities	3,892,665	-	3,975,417	82,752
Unallocated depreciation/amortization	9,865,338	-	-	(9,865,338)
Interest on long-term debt	6,842,459	-	-	(6,842,459)
Total governmental activities	$ 171,091,403	$ 912,053	$ 69,996,114	(100,183,236)
General revenues				
Property taxes, levied for general purposes				25,472,836
Property taxes, levied for debt service				11,658,665
Property taxes, levied for capital projects (sinking fund)				4,522,964
Investment earnings				3,427,677
State sources				66,334,105
Intermediate sources				16,855,035
Gain on disposal of capital assets				139,324
Other				1,950,180
Total general revenues				130,360,786
CHANGE IN NET POSITION				30,177,550
NET POSITION, beginning of year, as previously reported				(34,190,229)
Adjustment to beginning net position				(1,534,667)
NET POSITION, beginning of year, as restated				(35,724,896)
NET POSITION, end of year				$ (5,547,346)

See notes to financial statements.

KENTWOOD PUBLIC SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2025

	General Fund	2023 Capital Projects Fund	2025 Capital Projects Fund	Total Nonmajor Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	$ 1,829,168	$ -	$ -	$ 6,138,430	$ 7,967,598
Investments	17,097,949	-	-	1,401	17,099,350
Receivables					
Accounts receivable	1,678,645	-	-	21,751	1,700,396
Intergovernmental	21,066,023	-	-	52,110	21,118,133
Due from other funds	259,036	279,651	-	2,422	541,109
Prepaids	164,916	-	-	-	164,916
Inventories	26,517	-	-	39,513	66,030
Restricted cash and cash equivalents - capital projects	-	418,648	4,683	2,109,298	2,532,629
Restricted investments - capital projects	-	17,309,414	26,917,233	-	44,226,647
TOTAL ASSETS	$ 42,122,254	$ 18,007,713	$ 26,921,916	$ 8,364,925	$ 95,416,808
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES					
Accounts payable	$ 1,868,633	$ 10,558,594	$ -	$ 938,189	$ 13,365,416
Due to other governmental units	393,917	-	-	-	393,917
Due to other funds	-	-	-	541,109	541,109
Accrued salaries and related items	8,669,095	-	-	63,779	8,732,874
Accrued retirement	4,722,454	-	-	24,099	4,746,553
Unearned revenue	7,219,966	-	-	12,151	7,232,117
TOTAL LIABILITIES	22,874,065	10,558,594	-	1,579,327	35,011,986
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - leases	1,150,909	-	-	-	1,150,909
FUND BALANCES					
Nonspendable					
Prepaids	164,916	-	-	-	164,916
Inventory	26,517	-	-	39,513	66,030
Restricted for:					
Debt service	-	-	-	1,478,976	1,478,976
Food service	-	-	-	2,791,116	2,791,116
Capital projects	-	7,449,119	26,921,916	1,547,081	35,918,116

See notes to financial statements.

	General Fund	2023 Capital Projects Fund	2025 Capital Projects Fund	Total Nonmajor Funds	Total Governmental Funds
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (continued)					
FUND BALANCES (continued)					
Committed - student/school activities	$ -	$ -	$ -	$ 928,912	$ 928,912
Unassigned	17,905,847	-	-	-	17,905,847
TOTAL FUND BALANCES	18,097,280	7,449,119	26,921,916	6,785,598	59,253,913
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 42,122,254	$ 18,007,713	$ 26,921,916	$ 8,364,925	$ 95,416,808

Total governmental fund balances		$ 59,253,913
Amounts reported for governmental activities in the statement of net position are different because:		
Deferred outflows of resources - related to pensions		57,837,846
Deferred inflows of resources - related to pensions		(44,859,741)
Deferred outflows of resources - related to other postemployment benefits		8,523,731
Deferred inflows of resources - related to other postemployment benefits		(37,662,756)
Deferred inflows of resources - related to state aid funding for pensions		(9,307,750)
Some assets are not current financial resources and therefore are not reported in the Governmental Funds Balance Sheet.		
Noncurrent assets at year-end consist of:		
Net other postemployment benefits asset		29,309,755
Capital assets used in governmental activities are not financial resources and are not reported in the funds:		
The cost of capital assets is	$ 426,288,723	
Accumulated depreciation/amortization is	(151,653,328)	
		274,635,395
Long-term obligations are not due and payable in the current period and are not reported in the funds:		
General obligation bonds		(175,429,009)
Compensated absences		(3,248,067)
Accrued interest		(1,283,945)
Arbitrage liability		(1,436,073)
Net pension liability		(161,880,645)
Net position of governmental activities		$ (5,547,346)

See notes to financial statements.

KENTWOOD PUBLIC SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2025

	General Fund	2023 Capital Projects Fund	2025 Capital Projects Fund	Total Nonmajor Funds	Total Governmental Funds
REVENUES					
Local sources	$ 29,043,396	$ 2,064,958	$ 3,862	$ 20,803,707	$ 51,915,923
State sources	107,428,922	-	-	2,237,601	109,666,523
Federal sources	11,341,558	-	-	7,797,476	19,139,034
Intermediate sources	16,855,035	-	-	-	16,855,035
TOTAL REVENUES	164,668,911	2,064,958	3,862	30,838,784	197,576,515
EXPENDITURES					
Current					
Instruction	90,028,131	-	-	-	90,028,131
Supporting services	74,802,560	-	-	-	74,802,560
Community service activities	1,186,097	-	-	-	1,186,097
Food service activities	-	-	-	9,682,143	9,682,143
Student/school activities	-	-	-	3,892,665	3,892,665

See notes to financial statements.

	General Fund	2023 Capital Projects Fund	2025 Capital Projects Fund	Total Nonmajor Funds	Total Governmental Funds
EXPENDITURES (continued)					
Capital outlay	$ -	$ 42,969,788	$ 271,515	$ 4,419,288	$ 47,660,591
Payments to other governments	96,650	-	-	-	96,650
Debt service					
Principal repayment	-	-	-	5,060,000	5,060,000
Interest	-	-	-	6,811,625	6,811,625
Other	-	-	-	3,047	3,047
TOTAL EXPENDITURES	166,113,438	42,969,788	271,515	29,868,768	239,223,509
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,444,527)	(40,904,830)	(267,653)	970,016	(41,646,994)
OTHER FINANCING SOURCES (USES)					
Proceeds from issuance of bonds	-	-	26,500,000	-	26,500,000
Premium on issuance of bonds	-	-	689,569	-	689,569
Proceeds from disposal of capital assets	139,324	-	-	-	139,324
Transfers in	500,000	-	-	-	500,000
Transfers out	-	-	-	(500,000)	(500,000)
TOTAL OTHER FINANCING SOURCES (USES)	639,324	-	27,189,569	(500,000)	27,328,893
NET CHANGE IN FUND BALANCES	(805,203)	(40,904,830)	26,921,916	470,016	(14,318,101)
FUND BALANCES					
Beginning of year	18,902,483	48,353,949	-	6,315,582	73,572,014
End of year	$ 18,097,280	$ 7,449,119	$ 26,921,916	$ 6,785,598	$ 59,253,913

See notes to financial statements.

KENTWOOD PUBLIC SCHOOLS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2025

Net change in fund balances total governmental funds	$ (14,318,101)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. In the statement of activities, these costs are allocated over their estimated useful lives as depreciation/amortization:	
Depreciation/amortization expense	(9,865,338)
Capital outlay	47,935,740
Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:	
Accrued interest payable, beginning of the year	1,135,271
Accrued interest payable, end of the year	(1,283,945)
The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The effect of these differences is the treatment of long-term debt and related items and are as follows:	
Bond issuance	(26,500,000)
Premium on issuance of bonds	(689,569)
Payments on bonded debt	5,060,000
Arbitrage liability	(429,268)
Amortization of bond premium	547,108
Compensated absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds:	
Accrued compensated absences, beginning of the year, as restated	3,153,602
Accrued compensated absences, end of the year	(3,248,067)
Some revenues and expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:	
Pension related items	14,411,182
Other postemployment benefits related items	10,719,690
Restricted revenue reported in the governmental funds that is deferred to offset the deferred outflows related to Section 147c pension contributions subsequent to the measurement period:	
Change in state aid funding for pension	3,549,245
Change in net position of governmental activities	$ 30,177,550

See notes to financial statements.

KENTWOOD PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

<u>Description of Government-wide Financial Statements</u>

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. All fiduciary activities, if any, are reported only in the fund financial statements. *Governmental activities* normally are supported by taxes and intergovernmental revenues.

<u>Reporting Entity</u>

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

<u>Basis of Presentation - Government-wide Financial Statements</u>

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

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

<u>Basis of Presentation - Fund Financial Statements</u>

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

The District reports the following *Major Governmental Funds*:

> The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.
>
> The *2023 Bonded Construction Capital Projects Fund* is used to account for capital projects activities funded with bonds. For this capital project, the school district has complied with the applicable provisions of Section 1351a of the Revised School Code. The projects are not yet considered substantially complete, and a subsequent year audit is expected.
>
> The *2025 Bonded Construction Capital Projects Fund* is used to account for capital projects activities funded with bonds. For this capital project, the school district has complied with the applicable provisions of Section 1351a of the Revised School Code. The projects are not yet considered substantially complete, and a subsequent year audit is expected.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation - Fund Financial Statements (continued)

Major Governmental Funds (continued):

Beginning with the year of bond issuance, the school district has reported the annual construction activity for the bonds in the 2023 and 2025 Capital Projects Funds. The projects for which the 2023 and 2025 School Building and Site Bonds, Series II and III were issued were in process as of June 30, 2025. The cumulative revenues, other financing sources (uses), and expenditures recognized for the construction period were as follows:

	2023 Capital Projects Fund	2025 Capital Projects Fund
Revenues and other financing sources	$ 88,539,841	$ 27,193,431
Expenditures and other financing uses	$ 81,090,722	$ 271,515

The District reports the following *Other Nonmajor Funds*:

The *Special Revenue Funds* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food service and student/school activities as special revenue funds.

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

The *Capital Projects Sinking Fund* accounts for the receipt of property taxes levied for sinking fund and subsequent expenditures of those funds. The fund has complied with the applicable provisions of Section 1212 of the Revised School Code and the State of Michigan Department of Treasury Letter No. 2023-1.

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

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

Measurement Focus and Basis of Accounting

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting (continued)

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

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

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

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgetary Information

Budgetary Basis of Accounting

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

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

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

a. The Administration submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.

b. Public hearings are conducted to obtain taxpayer comments.

c. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, in the general fund are noted in the required supplementary information section.

d. Transfers may be made for budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.

e. The budget was amended once during the fiscal year. Although the district does consider the amendment to be significant, it was deemed necessary due to circumstances that were not reasonably expected at the time the original budget was adopted.

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

Cash and Cash Equivalents

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Investments

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

a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.

b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration (NCUA), but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.

c. Commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase.

d. The United States government or federal agency obligations repurchase agreements.

e. Bankers acceptances of United States banks.

f. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

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

Inventories and Prepaid Items

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Capital Assets

Capital assets, which include land, construction in progress, building and improvements, machinery, furniture, and equipment, vehicles, and right to use assets are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year. Group purchases are evaluated on a case-by-case basis. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

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

Capital Asset Classes	Lives
Building and improvements	10 - 50 years
Machinery, furniture, and equipment	5 - 15 years
Right to use - subscription-based IT	2 - 7 years
Vehicles	5 - 15 years

Defined Benefit Plans

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

Deferred Outflows

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Deferred Inflows

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources,* represents an acquisition of net assets that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has four items that qualify for reporting in this category. The first is restricted section 147c state aid deferred to offset deferred outflows related to section 147c pension contributions subsequent to the measurement period. The second and third items are future resources yet to be recognized in relation to the pension and other postemployment benefit actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the pension and other postemployment benefit liability and the actual results. The amounts are amortized over a period determined by the actuary. The District also reports unavailable revenues from one source: leases. These amounts are long-term leases entered into by the District in which the District is the lessor. These amounts are recognized as revenue over the term of the lease agreements.

Net Position Flow Assumption

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

Fund Balance Flow Assumptions

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

Fund Balance Policies

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Balance Policies (continued)

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

Leases - Lessor

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

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

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

- The District uses its estimated incremental borrowing rate as the discount rate for leases.

- The lease term includes the noncancelable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

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

Subscription-based IT Arrangements (SBITA)

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Subscription-based IT Arrangements (SBITA) (continued)

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

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for the SBITA.

- The SBITA term includes the noncancelable period of the subscription. SBITA payments included in the measurement of the SBITA liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

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

SBITA assets are reported with other capital assets and SBITA liabilities are reported with long-term obligations on the statement of net position. As of the year ended June 30, 2025, all of the SBITA agreements were prepaid and, as a result, a corresponding SBITA liability is not reported.

Compensated Absences

The District recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled during or upon separation from employment. The liability for compensated absences is reported as incurred in the government-wide financial statements. The liability for compensated absences includes salary and related benefits, where applicable.

Long-term Obligations

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues and Expenditures/Expenses

Program Revenues

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

Property Taxes

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

For the year ended June 30, 2025, the District levied the following amounts per $1,000 of assessed valuation:

Fund	Mills
General Fund	
Non-Principal Residence Exemption (PRE)	18.0000
Commercial Personal Property (CPP)	6.0000
Debt Service Fund	
PRE, Industrial Personal Property, Non-PRE, CPP	4.0000
Capital Projects Sinking Fund	
PRE, Industrial Personal Property, Non-PRE, CPP	1.5518

NOTE 2 - DEPOSITS AND INVESTMENTS

As of June 30, 2025 the District had deposits subject to the following risks:

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2025, $11,933,786 of the District's bank balance of $12,183,786 was exposed to custodial credit risk because it was uninsured and uncollateralized. The carrying value on the books for deposits at the end of the year was $10,500,227.

Custodial Credit Risk - Investments

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

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Custodial Credit Risk - Investments (continued)

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

Interest Rate Risk

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

Investment Type	Fair Value	Weighted Average Maturity
MILAF External Investment Pool - CMC	$ 3,275,760	N/A
MILAF External Investment Pool - MAX	17,284,127	N/A
MILAF External Investment Pool - TERM	26,758,000	0.4221
U.S. Treasury Notes	14,008,110	0.1793
Total fair value	$ 61,325,997	
Portfolio weighted average maturity		0.2600

One day maturity equals 0.0027, one year equals 1.00.

Concentration of Credit Risk

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

Investment Type	Fair Value	Rating	Rating Agency
MILAF External Investment Pool - CMC	$ 3,275,760	AAAm	Standard & Poor's
MILAF External Investment Pool - MAX	17,284,127	AAAm	Standard & Poor's
MILAF External Investment Pool - TERM	26,758,000	AAAf	Fitch
U.S. Treasury notes	14,008,110	AA+	Standard & Poor's
Total fair value	$ 61,325,997		

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Foreign Currency Risk

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

Fair Value Measurement

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

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

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

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

	Level 1	Level 2	Level 3	Balance at June 30, 2025
Investments by fair value level				
U.S. Treasury Notes	$ 14,008,110	$ -	$ -	$ 14,008,110

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

Investment Type	Amortized Cost
MILAF External Investment Pool - CMC	$ 3,275,760
MILAF External Investment Pool - MAX	17,284,127
	$ 20,559,887

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Investment in Entities that Calculate Net Asset Value per Share

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

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

At the year ended June 30, 2025, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

Investment Type	Fair Value	Unfunded Commitments	Redemption Frequency, if eligible	Redemption Notice Period
MILAF External Investment Pool - TERM	$ 26,758,000	$ -	No restrictions	None

The cash and cash equivalents and investments referred to above have been reported in either the cash and cash equivalents or investments captions on the financial statements, based upon criteria disclosed in Note 1. The following summarizes the categorization of these amounts as of June 30, 2025:

	Primary Government
Cash and cash equivalents	$ 7,967,598
Investments	17,099,350
Restricted cash and cash equivalents - capital projects	2,532,629
Restricted investments - capital projects	44,226,647
	$ 71,826,224

NOTE 3 - INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables at June 30, 2025 consist of the following:

	Government-wide
State aid	$ 18,943,730
Federal revenue	1,579,507
Intermediate	528,735
Other	66,161
	$ 21,118,133

No allowance for doubtful accounts is considered necessary based on previous experience.

NOTE 4 - CAPITAL ASSETS

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

	Balance July 1, 2024	Additions/ Reclassifications	Deletions/ Reclassifications	Balance June 30, 2025
Assets not being depreciated/amortized				
Land	$ 3,499,206	$ -	$ -	$ 3,499,206
Construction in progress	55,278,588	38,874,735	18,189,383	75,963,940
Subtotal	58,777,794	38,874,735	18,189,383	79,463,146
Other capital assets				
Building and improvements	283,256,692	17,579,898	-	300,836,590
Machinery, furniture, and equipment	30,167,824	7,574,731	270,269	37,472,286
Right to use - subscription-based IT	1,352,421	-	129,497	1,222,924
Vehicles	5,198,018	2,095,759	-	7,293,777
Subtotal	319,974,955	27,250,388	399,766	346,825,577
Accumulated depreciation/amortization				
Building and improvements	121,022,761	7,283,821	-	128,306,582
Machinery, furniture, and equipment	17,320,263	1,897,637	270,269	18,947,631
Right to use - subscription-based IT	434,594	253,486	129,497	558,583
Vehicles	3,410,138	430,394	-	3,840,532
Total accumulated depreciation/amortization	142,187,756	9,865,338	399,766	151,653,328
Net capital assets being depreciated/amortized	177,787,199	17,385,050	-	195,172,249
Net governmental capital assets	$ 236,564,993	$ 56,259,785	$ 18,189,383	$ 274,635,395

Depreciation/amortization for the fiscal year ended June 30, 2025 amounted to $9,865,338. The District determined that it was impractical to allocate depreciation/amortization to the various activities as the assets serve multiple functions.

The following is a summary of long-term obligations for the District for the year ended June 30, 2025:

	General Obligation Bonds	Compensated Absences*	Total
Balance July 1, 2024, as restated	$ 153,846,548	$ 3,153,602	$ 157,000,150
Additions	27,189,569	-	27,189,569
Deletions	(5,607,108)	94,465	(5,512,643)
Balance June 30, 2025	175,429,009	3,248,067	178,677,076
Due within one year	(5,630,000)	(324,807)	(5,954,807)
Due in more than one year	$ 169,799,009	$ 2,923,260	$ 172,722,269

*The change in the compensated absences liability is presented as a net change.

NOTE 5 - LONG-TERM OBLIGATIONS (continued)

Long-term obligations at June 30, 2025 are comprised of the following issues:

<u>General Obligation Bonds</u>	
2016 School Building and Site bonds due in annual installments of $1,200,000 to $1,205,000 through May 1, 2044, with interest rates of 5.00%.	$ 22,890,000
2019 School Building and Site bonds due in annual installments of $1,160,000 to $1,450,000 through May 1, 2036, with interest rates ranging from 4.00% to 5.00%.	15,230,000
2020 School Building and Site bonds due in annual installments of $335,000 to $390,000 through May 1, 2044, with interest rates ranging from 3.00% to 4.00%.	7,260,000
2022 School Building and Site bonds due in annual installments of $350,000 to $1,695,000 through May 1, 2048, with interest rates ranging from 4.00% to 5.00%.	18,775,000
2023 School Building and Site bonds due in annual installments of $650,000 to $4,960,000 through May 1, 2053, with interest rates of 5.00%.	72,795,000
2025 School Building and Site bonds due in annual installments of $100,000 to $4,210,000 through May 1, 2053, with interest rates of 5.00%.	26,500,000
Plus issuance premium	11,979,009
Total general obligation bonds	175,429,009
Compensated absences	3,248,067
Total long-term obligations	$ 178,677,076

NOTE 5 - LONG-TERM OBLIGATIONS (continued)

The annual requirements to amortize long-term obligations outstanding, including interest, exclusive of compensated absences payments as of June 30, 2025, are as follows:

Year Ending June 30,	General Obligation Bonds Principal	General Obligation Bonds Interest	Compensated Absences	Total
2026	$ 5,630,000	$ 7,803,051	$ -	$ 13,433,051
2027	3,160,000	7,640,876	-	10,800,876
2028	3,260,000	7,502,426	-	10,762,426
2029	3,310,000	7,359,976	-	10,669,976
2030	3,380,000	7,215,526	-	10,595,526
2031 - 2035	19,620,000	33,577,880	-	53,197,880
2036 - 2040	26,045,000	28,275,680	-	54,320,680
2041 - 2045	32,945,000	21,357,830	-	54,302,830
2046 - 2050	41,755,000	12,497,652		54,252,652
2051 - 2053	24,345,000	2,472,750	-	26,817,750
	163,450,000	135,703,647	-	299,153,647
Issuance premium	11,979,009	-	-	11,979,009
Compensated absences	-	-	3,248,067	3,248,067
	$ 175,429,009	$ 135,703,647	$ 3,248,067	$ 314,380,723

Interest expense (all funds) for the year ended June 30, 2025 was $6,811,625.

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS

Plan Description

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

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

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

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Benefits Provided - Overall

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

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

Benefits Provided - Pension

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

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

Pension Reform 2010

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

Pension Reform 2012

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

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

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension Reform 2012 (continued)

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

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

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

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

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

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

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

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

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

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension Reform of 2017

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

New employees hired between February 1, 2018 and June 30, 2024, are automatically enrolled as members in the Pension Plus 2 Plan as of their date of hire. They have 75 days from the last day of their first pay period, as reported to ORS, to elect to opt out of the Pension Plus 2 Plan and become a qualified participant to the DC Plan; if no election is made they will default to the DC Plan. If they elect to opt out of the Pension Plus 2 Plan, their participation in the DC Plan will be retroactive to their date of hire.

Pension Reform of 2023

On November 29, 2023, the Governor signed Public Act 250 of 2023 into law. New employees hired after June 30, 2024, are automatically enrolled as members in the Pension Plus 2 Plan as of their date of hire. They have 75 days from the last day of their first pay period, as reported to ORS, to elect to opt out of the Pension Plus 2 Plan and become a qualified participant in the DC Plan; if no election is made they will remain in the Pension Plus 2 Plan. If they elect to opt out of the Pension Plus 2 Plan, their participation in the DC Plan will be retroactive to their date of hire.

Benefits Provided - Other Postemployment Benefit (OPEB)

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

Retiree Healthcare Reform of 2012

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

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Retiree Healthcare Reform of 2012 (continued)

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

Regular Retirement (no reduction factor for age)

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

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

Member Contributions

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

Employer Contributions

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

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

Pension and OPEB contributions made in the fiscal year ending September 30, 2024 were determined as of the September 30, 2021 actuarial valuations. The pension and OPEB benefits, the unfunded (overfunded) actuarial accrued liabilities as of September 30, 2021 are amortized over a 15-year period beginning October 1, 2023 and ending September 30, 2038.

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Employer Contributions (continued)

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

	Pension	Other Postemployment Benefit
October 1, 2024 - September 30, 2025	20.96% - 30.11%	0.00% - 1.25%
October 1, 2023 - September 30, 2024	13.90% - 23.03%	7.06% - 8.31%

The District's pension contributions for the year ended June 30, 2025 were equal to the required contribution total. Total pension contributions were approximately $32,806,000. Of the total pension contributions approximately $31,291,000 was contributed to fund the Defined Benefit Plan and approximately $1,515,000 was contributed to fund the Defined Contribution Plan.

The District's OPEB contributions for the year ended June 30, 2025 were equal to the required contribution total. Total OPEB contributions were approximately $1,235,000. Of the total OPEB contributions approximately $407,000 was contributed to fund the Defined Benefit Plan and approximately $828,000 was contributed to fund the Defined Contribution Plan.

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

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

The net pension liability was measured as of September 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2023 and rolled-forward using generally accepted actuarial procedures.

The District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined.

MPSERS (Plan) Non-university Employers	September 30, 2024	September 30, 2023
Total Pension Liability	$ 95,765,499,515	$ 94,947,828,557
Plan Fiduciary Net Position	$ 71,283,482,728	$ 62,581,762,238
Net Pension Liability	$ 24,482,016,787	$ 32,366,066,319
Proportionate Share	0.66122%	0.63181%
Net Pension Liability for the District	$ 161,880,645	$ 204,491,898

For the year ended June 30, 2025, the District recognized pension expense of $16,880,116.

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

At June 30, 2025, the Reporting Unit reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual pension plan investment earnings	$ -	$ 30,893,689
Differences between expected and actual experience	4,391,936	1,758,855
Changes in proportion and differences between employer contributions and proportionate share of contributions	8,236,692	346,465
Changes of assumptions	16,877,017	11,860,732
Reporting Unit's contributions subsequent to the measurement date	28,332,201	-
	$ 57,837,846	$ 44,859,741

$28,332,201, reported as deferred outflows of resources related to pensions resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

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

Year Ending June 30,	Amount
2026	$ (2,255,520)
2027	3,369,131
2028	(9,339,802)
2029	(7,127,905)

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

The net OPEB liability (asset) was measured as of September 30, 2024, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation date of September 30, 2023 and rolled-forward using generally accepted actuarial procedures.

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

The District's proportion of the net OPEB liability (asset) was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined.

MPSERS (Plan) Non-university Employers	September 30, 2024	September 30, 2023
Total other postemployment benefits liability	$ 9,991,545,923	$ 11,223,648,949
Plan fiduciary net position	$ 14,295,943,589	$ 11,789,347,341
Net other postemployment benefits asset	$ (4,304,397,666)	$ (565,698,392)
Proportionate share	0.68093%	0.64459%
Net other postemployment benefits asset for the District	$ (29,309,755)	$ (3,646,460)

For the year ended June 30, 2025, the District recognized OPEB benefit of $10,313,189.

At June 30, 2025, the Reporting Unit reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual other postemployment benefits plan investment earnings	$ -	$ 5,548,673
Differences between expected and actual experience	-	31,059,389
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,962,550	318,875
Changes of assumptions	6,401,672	735,819
Reporting Unit's contributions subsequent to the measurement date	159,509	-
	$ 8,523,731	$ 37,662,756

$159,509, reported as deferred outflows of resources related to OPEB resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability (asset) in the subsequent fiscal year.

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

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

Year Ending June 30,	Amount
2026	$ (9,585,271)
2027	(5,726,876)
2028	(5,704,844)
2029	(5,086,783)
2030	(2,688,767)
2031	(505,993)

Actuarial Assumptions

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

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

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

Inflation - 3.0%.

Mortality Assumptions -

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

Active: PubT-2010 Male and Female Employee Mortality Tables scaled 100% and MP-2021 adjusted for mortality improvements using projection scale from 2010.

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

Experience Study - Assumption changes as a result of an experience study for the periods 2017 through 2022 have been adopted by the System for use in the determination of the total pension and OPEB liability beginning with the September 30, 2023 valuation.

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

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

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

Healthcare Cost Trend Rate for Other Postemployment Benefit - Pre 65, 7.25% for year one and graded to 3.5% in year fifteen. Post 65, 6.50% for year one and graded to 3.5% in year fifteen.

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

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

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

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

The target asset allocation at September 30, 2024 and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Investment Category	Target Allocation	Long-term Expected Real Rate of Return*
Domestic Equity Pools	25.0%	5.3%
International Equity Pools	15.0%	6.5%
Private Equity Pools	16.0%	9.0%
Real Estate and Infrastructure Pools	10.0%	7.1%
Fixed Income Pools	13.0%	2.2%
Absolute Return Pools	9.0%	5.2%
Real Return/Opportunistic Pools	10.0%	6.9%
Short Term Investment Pools	2.0%	1.4%
	100.0%	

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

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

Rate of Return - For fiscal year ended September 30, 2024, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was 15.47% and 15.45%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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

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

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

	Pension		
	1% Decrease	Discount Rate	1% Increase
Reporting Unit's proportionate share of the net pension liability	$ 237,318,765	$ 161,880,645	$ 99,063,896

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

	Other Postemployment Benefit		
	1% Decrease	Discount Rate	1% Increase
Reporting Unit's proportionate share of the net other postemployment benefit asset	$ (22,650,820)	$ (29,309,755)	$ (35,067,107)

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

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

	Other Postemployment Benefit		
	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Reporting Unit's proportionate share of the net other postemployment benefit asset	$ (35,067,170)	$ (29,309,755)	$ (23,134,958)

Pension and OPEB Plan Fiduciary Net Position

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

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

NOTE 7 - RISK MANAGEMENT

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

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

NOTE 8 - INTERFUND RECEIVABLES AND PAYABLES

Interfund payable and receivable balances at June 30, 2025 are as follows:

Receivable Fund		Payable Fund	
General	$ 259,036	Student Activities	$ 18,868
Sinking	677	Food Service	522,241
Debt Service	1,745		
2023 Capital Projects	279,651		$ 541,109
	$ 541,109		

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

NOTE 9 - TRANSFERS

During the year, the food service fund transferred $500,000 to the general fund for indirect cost reimbursement.

NOTE 10 - CONTINGENT LIABILITIES

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

NOTE 11 - TAX ABATEMENTS

The District is required to disclose significant tax abatements as required by GASB Statement No. 77, *Tax Abatements*.

The District receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions, Brownfield Redevelopment Agreements, and Payments in Lieu of Taxes (PILOT) granted by cities, villages, and townships. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities; Brownfield Redevelopment Agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties; PILOT programs apply to multiple unit housing for citizens of low income and the elderly. The property taxes abated for all funds by municipality under these programs are approximately as follows:

Municipality	Taxes Abated
City of Kentwood	$ 220,308

The taxes abated for the general fund operating millage is considered by the State of Michigan when determining the District's Section 22 funding of the State School Aid Act.

NOTE 12 - LEASE RECEIVABLE

The District leases various pieces of land to third parties. These lease agreements are long-term and expire at various times from 2031 through 2038. Under the leases, the District will receive monthly payments ranging from $1,916 to $5,885. The District recognized $111,014 in lease revenue during the current fiscal year related to these leases. As of June 30, 2025, the District's receivable for lease payments was $1,150,909. Also, the District has a deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term. As of June 30, 2025, the balance of the deferred inflow of resources was $1,150,909.

NOTE 13 - UPCOMING ACCOUNTING PRONOUNCEMENTS

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

a. Management's discussion and analysis (MD&A);
    i. Requires that the information presented in MD&A be limited to the related topics discussed in five specific sections:
        1) Overview of the Financial Statements,
        2) Financial Summary,
        3) Detailed Analyses,
        4) Significant Capital Asset and Long-Term Financing Activity,
        5) Currently Known Facts, Decisions, or Conditions;
    ii. Stresses detailed analyses should explain why balances and results of operations changed rather than simply presenting the amounts or percentages by which they changed;
    iii. Removes the requirement for discussion of significant variations between original and final budget amounts and between final budget amounts and actual results;
b. Unusual or infrequent items;
c. Presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position;
    i. Requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses and clarifies the definition of operating and nonoperating revenues and expenses;
    ii. Requires that a subtotal for *operating income (loss) and noncapital subsidies* be presented before reporting other nonoperating revenues and expenses and defines subsidies;
d. Information about major component units in basic financial statements should be presented separately in the statement of net position and statement of activities unless it reduces the readability of the statements in which case combining statements of should be presented after the fund financial statements;
e. Budgetary comparison information should include variances between original and final budget amounts and variances between final budget and actual amounts with explanations of significant variances required to be presented in the notes to RSI.

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

NOTE 13 - UPCOMING ACCOUNTING PRONOUNCEMENTS (continued)

In September 2024, the GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement No. 34. Lease assets recognized in accordance with Statement No. 87, *Leases*, and intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, should be disclosed separately by major class of underlying asset in the capital assets note disclosures. Subscription assets recognized in accordance with Statement No. 96, *Subscription-based Information Technology Arrangements*, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class. This Statement also requires additional disclosures for capital assets held for sale. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2025-2026 fiscal year.

NOTE 14 - CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2025, the District implemented GASB Statement No. 101, *Compensated Absences*.

Summary:

This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements.

The resulting changes due to the adoption of GASB Statement 101 are as follows:

	Governmental Activities	
	Net Position	Compensated Absences
Balance as of July 1, 2024, as previously stated	$ (34,190,229)	$ 1,618,935
Adoption of GASB Statement 101	(1,534,667)	1,534,667
Balance as of July 1, 2024, as restated	$ (35,724,896)	$ 3,153,602

REQUIRED SUPPLEMENTARY INFORMATION

KENTWOOD PUBLIC SCHOOLS
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2025

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Local sources	$ 25,287,100	$ 28,917,100	$ 29,043,396	$ 126,296
State sources	109,488,400	107,348,600	107,428,922	80,322
Intermediate sources	16,364,800	16,436,276	16,855,035	418,759
Federal sources	12,132,800	10,978,400	11,341,558	363,158
TOTAL REVENUES	163,273,100	163,680,376	164,668,911	988,535
EXPENDITURES				
Current				
Instruction				
Basic programs	72,171,000	70,774,700	70,394,863	379,837
Added needs	19,597,900	19,714,700	19,633,268	81,432
Total instruction	91,768,900	90,489,400	90,028,131	461,269
Supporting services				
Pupil	11,964,800	13,149,900	13,344,724	(194,824)
Instructional staff	13,783,700	13,966,800	14,239,871	(273,071)
General administration	1,292,600	1,338,400	1,466,720	(128,320)
School administration	8,273,700	8,061,300	7,965,191	96,109
Business	30,800,600	32,583,400	33,459,659	(876,259)
Athletics	3,726,400	3,959,300	4,326,395	(367,095)
Total supporting services	69,841,800	73,059,100	74,802,560	(1,743,460)
Community services	823,200	1,576,600	1,186,097	390,503
Capital outlays	5,796,000	103,600	-	103,600
Payments to other governments	-	-	96,650	(96,650)
TOTAL EXPENDITURES	168,229,900	165,228,700	166,113,438	(884,738)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(4,956,800)	(1,548,324)	(1,444,527)	103,797
OTHER FINANCING SOURCES (USES)				
Proceeds from disposal of capital assets	-	139,324	139,324	-
Transfers in	-	500,000	500,000	-
TOTAL OTHER FINANCING SOURCES (USES)	-	639,324	639,324	-
NET CHANGE IN FUND BALANCE	$ (4,956,800)	$ (909,000)	(805,203)	$ 103,797
FUND BALANCE				
Beginning of year			18,902,483	
End of year			$ 18,097,280	

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

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Reporting Unit's proportion of net pension liability (%)	0.66122%	0.63181%	0.62759%	0.62374%	0.61455%	0.60071%	0.58337%	0.57918%	0.57698%	0.56389%
Reporting Unit's proportionate share of net pension liability	$ 161,880,645	$ 204,491,898	$ 236,028,964	$ 147,673,025	$ 211,103,638	$ 198,934,485	$ 175,372,314	$ 150,089,535	$ 143,952,353	$ 137,730,274
Reporting Unit's covered-employee payroll	$ 72,792,917	$ 65,049,166	$ 60,979,870	$ 56,263,627	$ 49,425,345	$ 50,766,669	$ 50,501,562	$ 49,217,270	$ 48,654,867	$ 48,444,603
Reporting Unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	222.39%	314.37%	387.06%	262.47%	427.12%	391.86%	347.26%	304.95%	295.86%	284.30%
Plan fiduciary net position as a percentage of total pension liability (Non-university employers)	74.44%	65.91%	60.77%	72.60%	59.72%	60.31%	62.36%	64.21%	63.01%	62.92%

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

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Statutorily required pension contributions	$ 31,291,298	$ 26,818,189	$ 28,719,978	$ 21,906,266	$ 18,146,028	$ 17,265,237	$ 15,810,822	$ 14,671,500	$ 13,202,172	$ 12,250,610
Pension contributions in relation to statutorily required contributions	31,291,298	26,818,189	28,719,978	21,906,266	18,146,028	17,265,237	15,810,822	14,671,500	13,202,172	12,250,610
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Reporting Unit's covered-employee payroll (pension)	$ 80,305,991	$ 70,759,975	$ 66,463,168	$ 60,790,218	$ 58,041,595	$ 55,786,544	$ 52,470,643	$ 49,744,272	$ 48,654,867	$ 48,444,602
Pension contributions as a percentage of covered-employee payroll	38.97%	37.90%	43.21%	36.04%	31.26%	30.95%	30.13%	29.49%	27.13%	25.29%

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

	2024	2023	2022	2021	2020	2019	2018	2017
Reporting Unit's proportion of net other postemployment benefits liability/asset (%)	0.68093%	0.64459%	0.62331%	0.63276%	0.62445%	0.61416%	0.58954%	0.57900%
Reporting Unit's proportionate share of net other postemployment benefits liability (asset)	$ (29,309,755)	$ (3,646,460)	$ 13,202,087	$ 9,658,345	$ 33,453,337	$ 44,083,021	$ 46,862,066	$ 51,273,277
Reporting Unit's covered-employee payroll	$ 72,792,917	$ 65,049,166	$ 60,979,870	$ 56,263,627	$ 49,425,345	$ 50,766,669	$ 50,501,562	$ 49,217,270
Reporting Unit's proportionate share of net other postemployment benefits liability/asset as a percentage of its covered-employee payroll	40.26%	5.61%	21.65%	17.17%	67.68%	86.83%	92.79%	104.18%
Plan fiduciary net position as a percentage of total other postemployment benefits liability (Non-university employers)	143.08%	105.04%	83.09%	87.33%	59.44%	48.46%	42.95%	36.39%

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

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

	2025	2024	2023	2022	2021	2020	2019	2018
Statutorily required other postemployment benefits contributions	$ 406,501	$ 5,751,592	$ 5,162,911	$ 5,286,873	$ 4,582,592	$ 4,804,606	$ 4,432,249	$ 4,057,564
Other postemployment benefits contributions in relation to statutorily required contributions	406,501	5,751,592	5,162,911	5,286,873	4,582,592	4,804,606	4,432,249	4,057,564
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Reporting Unit's covered-employee payroll (OPEB)	$ 80,305,991	$ 70,759,975	$ 66,463,168	$ 60,790,218	$ 58,041,595	$ 55,786,544	$ 52,470,643	$ 49,744,272
Other post employment benefit contributions as a percentage of covered-employee payroll	0.51%	8.13%	7.77%	8.70%	7.90%	8.61%	8.45%	8.16%

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

KENTWOOD PUBLIC SCHOOLS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2025

NOTE 1 - PENSION INFORMATION

Benefit Changes

There were no changes of benefit terms for each of the reported plan years ended September 30.

Changes in Assumptions

There were no significant changes of benefit assumptions for each of the reported plan years ended September 30 except for the following:

- 2023 - The valuation includes the impact of an updated experience study for periods from 2017 to 2022.
- 2022 - The discount rate and investment rate of return used in the September 30, 2021 actuarial valuation decreased by 0.80 percentage points.
- 2019 - The discount rate used in the September 30, 2018 actuarial valuation decreased by 0.25 percentage points.
- 2018 - The discount rate used in the September 30, 2017 actuarial valuation decreased by 0.45 percentage points. The valuation also includes the impact of an updated experience study for periods from 2012 to 2017.
- 2017 - The discount rate used in the September 30, 2016 actuarial valuation decreased by 0.50 percentage points.

NOTE 2 - OPEB INFORMATION

Benefit Changes

There were no changes of benefit terms for each of the reported plan years ended September 30.

Changes in Assumptions

There were no significant changes of benefit assumptions for each of the reported plan years ended September 30 except for the following:

- 2024 - The health care cost trend rate used in the September 30, 2023 actuarial valuation decreased by 0.25 percentage points for members under 65 and increased by 0.25 percentage points for members over 65.
- 2023 - The health care cost trend rate used in the September 30, 2022 actuarial valuation decreased by 0.25 percentage points for members under 65 and increased by 1.00 percentage point for members over 65. In addition, actual per person health benefit costs were lower than projected. The valuation includes the impact of an updated experience study for periods from 2017 to 2022.

NOTE 2 - OPEB INFORMATION (continued)

Changes in Assumptions (continued)

- 2022 - The discount rate and investment rate of return used in the September 30, 2021 actuarial valuation decreased by 0.95 percentage points. This resulted in lower than projected per person health benefit costs to reduce the plan's total OPEB liability by an additional $1.1 billion in 2022.

- 2021 - The health care cost trend rate used in the September 30, 2020 actuarial valuation increased by 0.75 percentage points for members under 65 and decreased by 1.75 percentage points for members over 65. In addition, actual per person health benefit costs were lower than projected. This reduced the plan's total OPEB liability by $1.3 billion in 2021.

- 2020 - The health care cost trend rate used in the September 30, 2019 actuarial valuation decreased by 0.50 percentage points and actual per person health benefit costs were lower than projected. This reduced the plan's total OPEB liability by $1.8 billion in 2020.

- 2019 - The discount rate used in the September 30, 2018 actuarial valuation decreased by 0.20 percentage points. The valuation also includes the impact of an updated experience study for periods from 2012 to 2017. This resulted in lower than projected per person health benefit costs to reduce the plan's total OPEB liability by an additional $1.4 billion in 2019.

- 2018 - The discount rate used in the September 30, 2017 actuarial valuation decreased by 0.35 percentage points. The valuation also includes the impact of an updated experience study for periods from 2012 to 2017. This resulted in lower than projected per person health benefit costs to reduce the plan's total OPEB liability by $1.4 billion in 2018.

ADDITIONAL SUPPLEMENTARY INFORMATION

KENTWOOD PUBLIC SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES
JUNE 30, 2025

	Special Revenue		Capital Projects		
	Food Service	Student/ School Activities	Sinking Fund	Debt Service	Total Nonmajor Funds
ASSETS					
Cash and cash equivalents	$ 3,684,932	$ 973,082	$ -	$ 1,480,416	$ 6,138,430
Investments	797	-	-	604	1,401
Receivables					
Accounts receivable	-	15,123	6,628	-	21,751
Intergovernmental	52,110	-	-	-	52,110
Due from other funds	-	-	677	1,745	2,422
Inventories	39,513	-	-	-	39,513
Restricted cash and cash equivalents - capital projects	-	-	2,109,298	-	2,109,298
TOTAL ASSETS	$ 3,777,352	$ 988,205	$ 2,116,603	$ 1,482,765	$ 8,364,925
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	$ 324,453	$ 40,425	$ 569,522	$ 3,789	$ 938,189
Accrued salaries and related items	63,779	-	-	-	63,779
Accrued retirement	24,099	-	-	-	24,099
Unearned revenue	12,151	-	-	-	12,151
Due to other funds	522,241	18,868	-	-	541,109
TOTAL LIABILITIES	946,723	59,293	569,522	3,789	1,579,327
FUND BALANCES					
Nonspendable					
Inventory	39,513	-	-	-	39,513
Restricted					
Food service	2,791,116	-	-	-	2,791,116
Debt service	-	-	-	1,478,976	1,478,976
Capital projects	-	-	1,547,081	-	1,547,081
Committed					
Student/school activities	-	928,912	-	-	928,912
TOTAL FUND BALANCES	2,830,629	928,912	1,547,081	1,478,976	6,785,598
TOTAL LIABILITIES AND FUND BALANCES	$ 3,777,352	$ 988,205	$ 2,116,603	$ 1,482,765	$ 8,364,925

KENTWOOD PUBLIC SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUND TYPES
YEAR ENDED JUNE 30, 2025

	Special Revenue		Capital Projects		
	Food Service	Student/ School Activities	Sinking Fund	Debt Service	Total Nonmajor Funds
REVENUES					
Local sources	$ 308,600	$ 4,014,868	$ 4,602,128	$ 11,878,111	$ 20,803,707
State sources	1,420,981	-	230,368	586,252	2,237,601
Federal sources	7,797,476	-	-	-	7,797,476
TOTAL REVENUES	9,527,057	4,014,868	4,832,496	12,464,363	30,838,784
EXPENDITURES					
Food service	9,682,143	-	-	-	9,682,143
Student/school activities	-	3,892,665	-	-	3,892,665
Capital outlay	448,600	-	3,970,688	-	4,419,288
Debt service					
Principal repayment	-	-	-	5,060,000	5,060,000
Interest	-	-	-	6,811,625	6,811,625
Other expenses		-	-	3,047	3,047
TOTAL EXPENDITURES	10,130,743	3,892,665	3,970,688	11,874,672	29,868,768
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(603,686)	122,203	861,808	589,691	970,016
OTHER FINANCING SOURCES (USES)					
Transfers out	(500,000)	-	-	-	(500,000)
NET CHANGE IN FUND BALANCES	(1,103,686)	122,203	861,808	589,691	470,016
FUND BALANCES					
Beginning of year	3,934,315	806,709	685,273	889,285	6,315,582
End of year	$ 2,830,629	$ 928,912	$ 1,547,081	$ 1,478,976	$ 6,785,598

KENTWOOD PUBLIC SCHOOLS
BONDED DEBT
JUNE 30, 2025

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

Principal Due May 1	Interest Due May 1	Interest Due November 1	Debt Service Requirement for Fiscal Year June 30,	Debt Service Requirement for Fiscal Year Amount
$ 1,200,000	$ 572,250	$ 572,250	2026	$ 2,344,500
1,205,000	542,250	542,250	2027	2,289,500
1,205,000	512,125	512,125	2028	2,229,250
1,205,000	482,000	482,000	2029	2,169,000
1,205,000	451,875	451,875	2030	2,108,750
1,205,000	421,750	421,750	2031	2,048,500
1,205,000	391,625	391,625	2032	1,988,250
1,205,000	361,500	361,500	2033	1,928,000
1,205,000	331,375	331,375	2034	1,867,750
1,205,000	301,250	301,250	2035	1,807,500
1,205,000	271,125	271,125	2036	1,747,250
1,205,000	241,000	241,000	2037	1,687,000
1,205,000	210,875	210,875	2038	1,626,750
1,205,000	180,750	180,750	2039	1,566,500
1,205,000	150,625	150,625	2040	1,506,250
1,205,000	120,500	120,500	2041	1,446,000
1,205,000	90,375	90,375	2042	1,385,750
1,205,000	60,250	60,250	2043	1,325,500
1,205,000	30,125	30,125	2044	1,265,250
$ 22,890,000	$ 5,723,625	$ 5,723,625		$ 34,337,250

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

KENTWOOD PUBLIC SCHOOLS
BONDED DEBT
JUNE 30, 2025

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

	Interest Due		Debt Service Requirement for Fiscal Year	
Principal Due May 1	May 1	November 1	June 30,	Amount
$ 1,160,000	$ 355,200	$ 355,200	2026	$ 1,870,400
1,260,000	332,000	332,000	2027	1,924,000
1,320,000	306,800	306,800	2028	1,933,600
1,370,000	280,400	280,400	2029	1,930,800
1,440,000	253,000	253,000	2030	1,946,000
1,445,000	217,000	217,000	2031	1,879,000
1,445,000	180,875	180,875	2032	1,806,750
1,445,000	144,750	144,750	2033	1,734,500
1,445,000	108,625	108,625	2034	1,662,250
1,450,000	72,500	72,500	2035	1,595,000
1,450,000	36,250	36,250	2036	1,522,500
$ 15,230,000	$ 2,287,400	$ 2,287,400		$ 19,804,800

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

KENTWOOD PUBLIC SCHOOLS
BONDED DEBT
JUNE 30, 2025

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

	Interest Due		Debt Service Requirement for Fiscal Year	
Principal Due May 1	May 1	November 1	June 30,	Amount
$ 335,000	$ 118,075	$ 118,075	2026	$ 571,150
345,000	111,375	111,375	2027	567,750
385,000	104,475	104,475	2028	593,950
385,000	96,775	96,775	2029	578,550
385,000	89,075	89,075	2030	563,150
385,000	81,375	81,375	2031	547,750
385,000	75,600	75,600	2032	536,200
385,000	69,825	69,825	2033	524,650
385,000	64,050	64,050	2034	513,100
385,000	58,275	58,275	2035	501,550
385,000	52,500	52,500	2036	490,000
385,000	46,725	46,725	2037	478,450
390,000	40,950	40,950	2038	471,900
390,000	35,100	35,100	2039	460,200
390,000	29,250	29,250	2040	448,500
390,000	23,400	23,400	2041	436,800
390,000	17,550	17,550	2042	425,100
390,000	11,700	11,700	2043	413,400
390,000	7,200	7,200	2044	404,400
$ 7,260,000	$ 1,133,275	$ 1,133,275		$ 9,526,550

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

KENTWOOD PUBLIC SCHOOLS
BONDED DEBT
JUNE 30, 2025

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

	Interest Due		Debt Service Requirement for Fiscal Year	
Principal Due May 1	May 1	November 1	June 30,	Amount
$ 500,000	$ 423,313	$ 423,313	2026	$ 1,346,626
350,000	413,313	413,313	2027	1,176,626
350,000	406,313	406,313	2028	1,162,626
350,000	399,313	399,313	2029	1,148,626
350,000	392,313	392,313	2030	1,134,626
350,000	385,313	385,313	2031	1,120,626
350,000	378,313	378,313	2032	1,106,626
350,000	371,313	371,313	2033	1,092,626
350,000	364,313	364,313	2034	1,078,626
350,000	357,313	357,313	2035	1,064,626
350,000	350,313	350,313	2036	1,050,626
1,000,000	342,438	342,438	2037	1,684,876
1,000,000	319,938	319,938	2038	1,639,876
1,000,000	297,438	297,438	2039	1,594,876
1,000,000	274,938	274,938	2040	1,549,876
1,000,000	249,938	249,938	2041	1,499,876
1,000,000	224,938	224,938	2042	1,449,876
1,000,000	199,938	199,938	2043	1,399,876
1,000,000	174,938	174,938	2044	1,349,876
1,690,000	152,438	152,438	2045	1,994,876
1,695,000	114,413	114,413	2046	1,923,826
1,695,000	76,275	76,275	2047	1,847,550
1,695,000	38,138	38,138	2048	1,771,276
$ 18,775,000	$ 6,707,211	$ 6,707,211		$ 32,189,422

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

KENTWOOD PUBLIC SCHOOLS
BONDED DEBT
JUNE 30, 2025

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

	Interest Due		Debt Service Requirement for Fiscal Year	
Principal Due May 1	May 1	November 1	June 30,	Amount
$ 2,435,000	$ 1,819,875	$ 1,819,875	2026	$ 6,074,750
-	1,759,000	1,759,000	2027	3,518,000
-	1,759,000	1,759,000	2028	3,518,000
-	1,759,000	1,759,000	2029	3,518,000
-	1,759,000	1,759,000	2030	3,518,000
-	1,759,000	1,759,000	2031	3,518,000
-	1,759,000	1,759,000	2032	3,518,000
650,000	1,759,000	1,759,000	2033	4,168,000
920,000	1,742,750	1,742,750	2034	4,405,500
920,000	1,719,750	1,719,750	2035	4,359,500
1,240,000	1,696,750	1,696,750	2036	4,633,500
1,525,000	1,665,750	1,665,750	2037	4,856,500
1,880,000	1,627,625	1,627,625	2038	5,135,250
2,235,000	1,580,625	1,580,625	2039	5,396,250
2,590,000	1,524,750	1,524,750	2040	5,639,500
2,955,000	1,460,000	1,460,000	2041	5,875,000
3,345,000	1,386,125	1,386,125	2042	6,117,250
3,755,000	1,302,500	1,302,500	2043	6,360,000
4,165,000	1,208,625	1,208,625	2044	6,582,250
4,550,000	1,104,500	1,104,500	2045	6,759,000
4,915,000	990,750	990,750	2046	6,896,500
4,955,000	867,875	867,875	2047	6,690,750
4,960,000	744,000	744,000	2048	6,448,000
4,960,000	620,000	620,000	2049	6,200,000
4,960,000	496,000	496,000	2050	5,952,000
4,960,000	372,000	372,000	2051	5,704,000
4,960,000	248,000	248,000	2052	5,456,000
4,960,000	124,000	124,000	2053	5,208,000
$ 72,795,000	$ 36,615,250	$ 36,615,250		$ 146,025,500

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

KENTWOOD PUBLIC SCHOOLS
BONDED DEBT
JUNE 30, 2025

$26,500,000 Building and site bonds issued May 28, 2025.

	Interest Due		Debt Service Requirement for Fiscal Year	
Principal Due May 1	May 1	November 1	June 30,	Amount
$ -	$ 662,500	$ 563,125	2026	$ 1,225,625
-	662,500	662,500	2027	1,325,000
-	662,500	662,500	2028	1,325,000
-	662,500	662,500	2029	1,325,000
-	662,500	662,500	2030	1,325,000
-	662,500	662,500	2031	1,325,000
-	662,500	662,500	2032	1,325,000
-	662,500	662,500	2033	1,325,000
-	662,500	662,500	2034	1,325,000
200,000	662,500	662,500	2035	1,525,000
100,000	657,500	657,500	2036	1,415,000
850,000	655,000	655,000	2037	2,160,000
725,000	633,750	633,750	2038	1,992,500
615,000	615,625	615,625	2039	1,846,250
520,000	600,250	600,250	2040	1,720,500
430,000	587,250	587,250	2041	1,604,500
330,000	576,500	576,500	2042	1,483,000
225,000	568,250	568,250	2043	1,361,500
135,000	562,625	562,625	2044	1,260,250
985,000	559,250	559,250	2045	2,103,500
965,000	534,625	534,625	2046	2,034,250
1,295,000	510,500	510,500	2047	2,316,000
1,675,000	478,125	478,125	2048	2,631,250
3,775,000	436,250	436,250	2049	4,647,500
4,210,000	341,875	341,875	2050	4,893,750
2,775,000	236,625	236,625	2051	3,248,250
3,150,000	167,250	167,250	2052	3,484,500
3,540,000	88,500	88,500	2053	3,717,000
$ 26,500,000	$ 15,434,750	$ 15,335,375		$ 57,270,125

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

Maner Costerisan

2425 E. Grand River Ave.,
Suite 1, Lansing, MI 48912
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Education of
Kentwood Public Schools

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Kentwood Public Schools as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Kentwood Public Schools' basic financial statements and have issued our report thereon dated October 14, 2025.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Maner Costerisan PC

October 14, 2025

Maner Costerisan

2425 E. Grand River Ave.,
Suite 1, Lansing, MI 48912
517.323.7500
517.323.6346

October 14, 2025

To the Board of Education of
Kentwood Public Schools

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Kentwood Public Schools for the year ended June 30, 2025. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Kentwood Public Schools are described in Note 1 to the financial statements. As described in Note 14 to the financial statements, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 101 *Compensated Absences*, during the year ended June 30, 2025. Accordingly, the cumulative effects of the accounting changes are reported in the applicable financial statements and note disclosures. We noted no transactions entered into by Kentwood Public Schools during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

> Estimates have been used to calculate the net pension liability and the net other postemployment benefit asset. We evaluated the key factors and assumptions used to develop the balance of the net pension liability and net other postemployment benefit asset in determining that they are reasonable in relation to the financial statements taken as a whole.
>
> Management's estimate in calculating the liability for employee compensated absences. We evaluated the key factors and assumptions used to develop the balance of employee compensated absences in determining that it is reasonable in relation to the financial statements taken as a whole.
>
> Management's determination of the estimated life span of the capital assets. We evaluated the key factors and assumptions used by management to develop the estimated life span of the capital assets in determining that it is reasonable in relation to the financial statements taken as a whole. In addition, certain amounts included in capital assets have been estimated based on an outside appraisal company.

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

We evaluated the key factors and assumptions used to develop these accounting estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 14, 2025.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

<u>Other Matters</u>

We applied certain limited procedures to the required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

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

Restriction on Use

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

Very truly yours,

Maner Costerisan PC