

KENTWOOD PUBLIC SCHOOLS

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

YEAR ENDED JUNE 30, 2026

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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, 2026, 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, 2026, 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.

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 8, 2026 on our consideration of Kentwood Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Kentwood Public Schools' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Kentwood Public Schools' internal control over financial reporting and compliance.

Maney Costeiran PC

Lansing, Michigan
October 8, 2026

KENTWOOD PUBLIC SCHOOLS MANAGEMENT'S DISCUSSION & ANALYSIS

The purpose of management's discussion and analysis (MD&A) is to help the District's residents and other readers understand what the financial statements and notes in this financial report say about the District's financial health and why it changed since last year. It contains information drawn from those other parts of the report, accompanied by explanations informed by the finance staff's knowledge of the District's finances.

If you have any questions about this report or need any additional information, please contact Tom Lagone, Executive Director of Finance and Business Operations, Kentwood Public Schools Administrative Office, 5820 Eastern Ave, Kentwood, MI 49508.

OVERVIEW OF THE FINANCIAL STATEMENTS

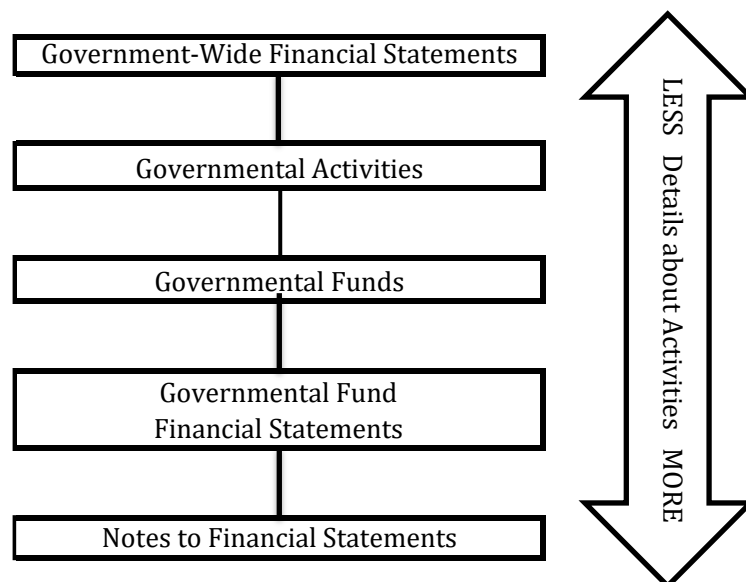
The District's financial report contains basic financial statements. Those financial statements present the District's finances at both an overall and a detailed level. The first two - the *government-wide financial statements* - cover the District's governmental activities. (See the diagram in Figure A-1.)

- *Governmental Activities* comprise the District's most basic functions, such as instruction, support services, and food services. Governmental activities primarily are financed by property taxes from non-personal residence exemption properties, state aid foundation, and federal grants. These statements provide both short-term and long-term information.

The remaining basic financial statements present the District's finances in greater detail. As their name implies, the fund financial statements disaggregate financial information by separate funds to report on the specific purposes for which resources are used or for which they are restricted. The District reports one group of funds:

- *Governmental Fund Financial Statements* report all of the governmental activities. In addition to the District's main operating fund - the general fund - those financial statements report special revenue funds that track the use of restricted or committed funding sources, debt service funds to record the repayment of outstanding bonds, and capital projects funds to account for resources used to acquire or construct long-lived assets.

Figure A-1. Contents of the District's Basic Financial Statements



KENTWOOD PUBLIC SCHOOLS MANAGEMENT'S DISCUSSION & ANALYSIS

The next section of this financial report contains *notes to financial statements*, which delve deeper into the District's finances as reported in the financial statements. The information in the notes is as important to understanding the District's finances as the information in the financial statements. The District uses notes to (1) present information in greater detail than is possible within the financial statements themselves, (2) explain the nature of amounts reported in the financial statements and how those amounts were determined, and (3) report certain information that does not meet the requirements for inclusion in the financial statements (such as certain contingencies).

TYPES OF INFORMATION IN THE FINANCIAL STATEMENTS

All of the District's financial statements, except for the governmental fund financial statements, use the economic resources measurement focus and accrual basis of accounting. (See Figure A-2.) In other words, they comprehensively report all types of financial statement elements:

- *Assets* - resources the District controls, from short-term assets like cash and cash equivalents to long-term assets like buildings and transportation equipment.
- *Liabilities* - amounts the District owes, from short-term liabilities such as salaries and related items to long-term liabilities such as outstanding debt and pension obligations.
- *Deferred Outflows of Resources and Deferred Inflows of Resources* - flows that occurred during the year, or in prior years, that will not be reported as expenses and revenues until the future year to which they are related.
- *Revenues and Expenses* - inflows and outflows of economic resources, respectively, related to the current year.

Governmental fund financial statements use the current financial resources measurement focus and modified accrual basis of accounting to report on the sources, uses, and balances of current financial resources. The governmental funds do not report nonfinancial assets, such as capital assets, or certain other long-term items, such as general obligation bonds, but they do report the flows of current financial resources related to those long-term items; for example, the proceeds from issuing bonds or selling equipment, as well as principal and interest payments on bonds and spending on construction.

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

Figure A-2. Types of Information Reported in the District's Financial Statements

	Financial Statements	
	Government-wide	Governmental Funds
Types of assets and liabilities	* All assets and liabilities, both financial and nonfinancial, short term and long term	* Only current financial resources, such as cash, receivables, and accounts payable
Types of revenues/ additions	* All types of revenues/additions that flow into the District during the year that relate to that year, regardless of when cash is received	* Only revenues that are measurable and available to finance expenditures of that year
Types of expenses/ deductions/ expenditures	* All types of expenses/deductions that flow out of the District during the year that relate to that year, regardless of when cash is paid	* Only expenditures for which the related governmental fund liability is incurred in that year
Types of deferred outflows of resources and deferred inflows of resources	* All types of resources that flow into and out of the District during the year that relate to a future year	* Current financial resources that flow into and out of the governmental funds during the year that related to a future year

More detail about the measurement focuses and bases of accounting can be found in the first note to financial statements, the summary of significant accounting policies.

KENTWOOD PUBLIC SCHOOLS MANAGEMENT'S DISCUSSION & ANALYSIS

ANALYSIS OF THE DISTRICT'S FINANCES

Table A-1 Kentwood Public Schools' Net Position				
	2026	2025	Dollar Change	Total Percentage Change
ASSETS				
Current assets	\$ 138,730,432	\$ 94,875,699	\$ 43,854,733	46.2%
Net other postemployment benefits asset	39,810,077	29,309,755	10,500,322	35.8%
Capital assets	303,538,375	274,635,395	28,902,980	10.5%
TOTAL ASSETS	482,078,884	398,820,849	83,258,035	20.9%
DEFERRED OUTFLOWS OF RESOURCES	64,214,211	66,361,577	(2,147,366)	-3.2%
LIABILITIES				
Non-current liabilities	245,875,872	180,113,149	65,762,723	36.5%
Net pension liability	142,712,398	161,880,645	(19,168,247)	-11.8%
Other liabilities	39,473,757	35,754,822	3,718,935	10.4%
TOTAL LIABILITIES	428,062,027	377,748,616	50,313,411	13.3%
DEFERRED INFLOWS OF RESOURCES	92,119,641	92,981,156	(861,515)	-0.9%
NET POSITION				
Net investment in capital assets	129,619,696	133,297,770	(3,678,074)	-2.8%
Restricted for net other postemployment benefits	39,810,077	29,309,755	10,500,322	35.8%
Restricted for capital projects (sinking fund)	4,042,566	1,547,081	2,495,485	161.3%
Restricted for debt service	348,844	195,031	153,813	78.9%
Unrestricted	(147,709,756)	(169,896,983)	22,187,227	13.1%
TOTAL NET POSITION	\$ 26,111,427	\$ (5,547,346)	\$ 31,658,773	570.7%

Table A-1 shows that as of June 30, 2026, the District's total net position - assets and deferred outflows minus liabilities and deferred inflows - was approximately \$26.1 million, an improvement of \$31.7 million compared with 2025. This improvement is primarily due to a \$22.2 million or 13% improvement in unrestricted net position, a \$10.5 million or 36% improvement in net position restricted for net other postemployment benefits, and a \$2.5 million or 161% improvement in net position restricted for capital projects. All of the improvement in net position was the result of the financial performance of the governmental activities. The following sections of MD&A analyze the finances of the governmental activities.

GOVERNMENTAL ACTIVITIES

Table A-2 shows that revenues continued to exceed expenses in the current year, resulting in an improvement in net position as mentioned above. Various events contributed to this increase in net position; however, the primary factors affecting the change in net position are as follows:

1. Decrease in operating grants and contributions, primarily from state sources, which was somewhat offset by increases in unrestricted state sources.
2. Increase in intermediate revenue sources.
3. Growth in the taxable value of nonpersonal residential exempt properties.
4. Decrease in expenses for certain programs and functions, which outpaced the overall decreases in revenues.

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

Table A-2 Changes in Kentwood Public Schools' Net Position				
	2026	2025	Dollar Change	Total Percentage Change
REVENUES				
Program revenues				
Charges for services	\$ 1,170,931	\$ 912,053	\$ 258,878	28.4%
Operating grants and contributions	61,254,246	69,996,114	(8,741,868)	-12.5%
General revenues				
Property taxes	44,366,822	41,654,465	2,712,357	6.5%
Investment earnings	2,512,868	3,427,677	(914,809)	-26.7%
State sources	70,465,475	66,334,105	4,131,370	6.2%
Intermediate sources	19,851,378	16,855,035	2,996,343	17.8%
Gain on disposal of capital assets	-	139,324	(139,324)	-100.0%
Other	765,374	1,950,180	(1,184,806)	-60.8%
TOTAL REVENUES	200,387,094	201,268,953	(881,859)	-0.4%
EXPENSES				
Instruction	75,405,395	75,666,163	(260,768)	-0.3%
Support services	60,543,253	60,587,814	(44,561)	-0.1%
Community services	1,182,400	528,821	653,579	123.6%
Athletics	4,174,194	4,164,010	10,184	0.2%
Food services	8,760,638	9,544,133	(783,495)	-8.2%
Student/school activities	798,631	3,892,665	(3,094,034)	-79.5%
Unallocated depreciation/amortization	10,889,796	9,865,338	1,024,458	10.4%
Interest on long-term debt	6,974,014	6,842,459	131,555	1.9%
TOTAL EXPENSES	168,728,321	171,091,403	(2,363,082)	-1.4%
Change in net position	<u>\$ 31,658,773</u>	<u>\$ 30,177,550</u>	<u>\$ 1,481,223</u>	4.9%

Decline in Operating Grants and Contributions and State Sources - Net

There were notable decreases in operating grants and contributions and state sources on a net basis as compared to the prior year, which collectively account for 66% of overall revenues. Much of the decrease is attributable to restricted state categorical sources. The most notable decreases in this area were related to Teach for America funds and the various Michigan Public Schools Employees' Retirement System categorical grants. The decrease in restricted state sources was partially offset by an increase in unrestricted state sources. Unrestricted state sources are a product of student counts multiplied by the foundation allowance. The foundation allowance increased by \$442 per pupil in 2026. The offsetting combination of these factors resulted in the net decrease in operating grants and contributions and state sources.

Increase in Intermediate Sources

There were notable increases in intermediate sources as compared to the prior year, which account for approximately 10% of overall revenues. The majority of the increase is attributable to additional Special Education Millage funds received from the District's intermediate school district.

KENTWOOD PUBLIC SCHOOLS MANAGEMENT'S DISCUSSION & ANALYSIS

Growth in Taxable Values

Property tax revenues increased in the current year as compared to the prior year, which account for approximately 22% of overall revenues. Property tax revenues are a product of the taxable values of nonpersonal residential exempt properties. The taxable values across all of the District's taxing authorities grew over the June 30, 2025 year, resulting in the overall increase in property tax revenues.

Decline in Expenses

Total expenses for the District dropped by approximately 1% overall, which outpaced the total decrease in revenues. The significant reduction was due primarily to student/school activities expenditures related to Teach for America funds that were received and disbursed during the June 30, 2025 school year. There were no funds of this nature received or disbursed during the June 30, 2026 year. The decrease was partially offset by various fluctuations in the other expenditure categories.

GOVERNMENTAL FUNDS

The District reports four major funds individually in the governmental fund financial statements. These funds are the general fund and the 2023, 2025, and 2026A capital projects funds. Most of the discussion regarding governmental activities is equally applicable to the finances of these governmental funds. However, certain factors that are relevant to the District's current financial health are more apparent in the fund financial statements than in the government-wide statements. The changes are shown in Table A-3 and are discussed in more detail below.

Table A-3 Revenues, Expenditures, and Changes in Fund Balances				
	General Fund		Major Capital Projects Funds	
	2026	2025	2026	2025
REVENUES	\$ 172,491,504	\$ 164,668,911	\$ 1,202,147	\$ 2,068,820
EXPENDITURES	171,966,967	166,113,438	39,842,087	43,241,303
Excess (deficiency) of revenues over expenditures	524,537	(1,444,527)	(38,639,940)	(41,172,483)
OTHER FINANCING SOURCES (USES)				
Proceeds from issuance of bonds	-	-	60,300,000	26,500,000
Premium on issuance of bonds	-	-	2,678,030	689,569
Proceeds from disposal of capital assets	96,478	139,324	-	-
Transfers in	735,000	500,000	324,124	-
Transfers out	-	-	(324,124)	-
Net change in fund balance	1,356,015	(805,203)	24,338,090	(13,982,914)
Fund balance - beginning of year	18,097,280	18,902,483	34,371,035	34,371,035
Fund balance - end of year	<u>\$ 19,453,295</u>	<u>\$ 18,097,280</u>	<u>\$ 58,709,125</u>	<u>\$ 20,388,121</u>

Fund balance represents the financial standing of a governmental fund at the end of the fiscal year from a short-term perspective.

KENTWOOD PUBLIC SCHOOLS MANAGEMENT'S DISCUSSION & ANALYSIS

General Fund

The fund balance of the District's general fund increased by approximately 7%. The increase in fund balance is attributable to (1) increases in state sources particularly related to unrestricted state sources as a product of student counts and foundation allowance, (2) increases in intermediate sources as mentioned above, and (3) increases in expenditures particularly related to the instruction and support categories, which were outpaced by the overall revenue increase.

The overall fund balance at the end of June 30, 2026, represented approximately 11% of operating expenditures. The District aims to have a minimum fund balance of 10% of operating expenditures. Within fund balance, approximately 82% of the balance is considered unassigned. The remaining 18% is considered either nonspendable, restricted, committed, or assigned for other items and is not readily available for use.

Major Capital Projects Funds

The fund balance of the 2023, 2025, and 2026A capital projects funds, in total, increased approximately 71%. The increase is attributable to the issuance of the 2026A capital projects bonds, which resulted in total proceeds (including premium) of approximately \$63.0 million. The increase was offset by capital outlay spending across all three issuances of approximately \$37.8 million in total.

The fund balances for the District's 2023, 2025, and 2026A capital projects funds are considered to be 100% restricted. This means that the fund balances can only be used for the restricted purposes of those funds and are not readily available for use.

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

CAPITAL ASSETS AND LONG-TERM OBLIGATIONS

Capital Assets

The discussion thus far has only touched upon certain significant transactions and events during 2026 with respect to capital assets and long-term obligations. Overall, the carrying value of capital assets-original cost minus accumulated depreciation/amortization - increased approximately 11% over 2025. See Table A-4 for the carrying value of capital assets.

Table A-4 Kentwood Public Schools' Capital Assets					
	2026			2025	Total Percentage Change
	Cost	Accumulated Depreciation/ Amortization	Net Book Value	Net Book Value	
Land	\$ 3,499,206	\$ -	\$ 3,499,206	\$ 3,499,206	0.0%
Construction in progress	95,061,794	-	95,061,794	75,963,940	25.1%
Building and improvements	318,689,547	135,920,115	182,769,432	172,530,008	5.9%
Machinery, furniture, and equipment	35,143,763	16,363,233	18,780,530	18,524,655	1.4%
Right to use - subscription-based IT	1,093,427	650,207	443,220	664,341	-33.3%
Vehicles	6,527,657	3,543,464	2,984,193	3,453,245	-13.6%
Total	\$ 460,015,394	\$ 156,477,019	\$ 303,538,375	\$ 274,635,395	10.5%

A significant reason for the increase in the net capital assets relates to the buildings and improvements category where approximately \$17.9 million of new assets were placed in service. Overall during 2026, the District completed and placed in service approximately \$39.9 million in net additions for new buildings, renovations, furniture/equipment, construction in progress, and vehicles. The capital asset additions outpaced depreciation during the year, resulting in a net increase in capital assets.

Long-term Obligations

Overall, the carrying value of the District's long-term obligations increased by approximately 38% from the prior year. See Table A-5 for the carrying value of the District's long-term obligations.

Table A-5 Kentwood Public Schools' Outstanding Long-Term Obligations			
	2026	2025	Total Percentage Change
General obligation bonds - net	\$ 242,500,333	\$ 175,429,009	38.2%
Compensated absences	3,375,539	3,248,067	3.9%
	\$ 245,875,872	\$ 178,677,076	37.6%

In June of 2026, the District issued building and site bonds in the principal amount of approximately \$72.1 million. This is the primary reason for the increase in the carrying value of the District's long-term debt obligations. The issuance was partially offset by total principal payments of \$5.6 million. Additionally, in February of 2026, the District refinanced the 2016 building and site bonds.

KENTWOOD PUBLIC SCHOOLS MANAGEMENT'S DISCUSSION & ANALYSIS

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

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

- The District extends its sincere gratitude to our local community for their partnership in passing the \$125 million Safety + Success Bond Proposal in May 2026. Through the support of voters, this proposal restores the District's debt level to 2011 amounts while maintaining the second-lowest debt rate in Kent County. The bond enables critical capital investments across 12 major projects, including District-wide safety and security upgrades, a brand-new Valleywood Middle School, inclusive elementary playgrounds, modern instructional technology, an expanded CTE/STEM center, and essential ice arena infrastructure improvements.
- While the General Fund remains reliant on the State of Michigan's per-pupil allowance, property taxes, and state aid to support core operations, ongoing uncertainty surrounding the newly introduced weighted foundation formula in the state aid budget presents potential revenue fluctuations for future operational planning. Although per-pupil state funding has increased, rising competitive labor wages and baseline operational expenses have outpaced the annual foundation increases. However, the District has accumulated reserves that provide a financial cushion, allowing management to maintain essential educational services without disrupting critical district operations.
- A significant local factor remains student enrollment, which serves as the primary driver of overall foundation funding. While Kentwood Public Schools has experienced steady enrollment growth in recent years, the District must approach future planning cautiously rather than assuming this upward trend will continue. Because state law prohibits the District from levying additional property tax revenues for general operations beyond the non-homestead property tax, future operational planning must remain cautious. Specifically, relying on continuous enrollment growth poses significant risks: if student numbers flatten or decline, per-pupil funding drops immediately while fixed operational costs—such as staffing, facility management, and utilities—remain unchanged. Without the legal flexibility to raise local general operating taxes, any budget shortfalls caused by shifting demographics or state funding changes would force the District to absorb deficits directly through its fund reserves.

BASIC FINANCIAL STATEMENTS

KENTWOOD PUBLIC SCHOOLS
STATEMENT OF NET POSITION
JUNE 30, 2026

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 10,148,418
Investments	17,676,554
Receivables	
Accounts receivable	1,186,318
Intergovernmental	23,421,437
Prepays	2,683,917
Inventories	793,655
Restricted cash and cash equivalents - capital projects	4,545,443
Restricted investments - capital projects	78,274,690
Net other postemployment benefits asset	39,810,077
Capital assets not being depreciated/amortized	98,561,000
Capital assets, net of accumulated depreciation/amortization	<u>204,977,375</u>
TOTAL ASSETS	<u>482,078,884</u>
DEFERRED OUTFLOWS OF RESOURCES	
Related to pensions	56,303,343
Related to other postemployment benefits	<u>7,910,868</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>64,214,211</u>
LIABILITIES	
Accounts payable	9,127,670
Due to other governmental units	1,210,139
Accrued salaries and related items	8,085,192
Accrued retirement	5,106,039
Unearned revenue	14,465,161
Accrued interest	1,479,556
Noncurrent liabilities	
Due within one year	4,272,554
Due in more than one year	241,603,318
Net pension liability	<u>142,712,398</u>
TOTAL LIABILITIES	<u>428,062,027</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred gain on refunding	2,333,773
Related to unavailable revenue - leases	1,037,731
Related to pensions	43,136,734
Related to other postemployment benefits	33,607,694
Related to state aid funding for pension	<u>12,003,709</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>92,119,641</u>
NET POSITION	
Net investment in capital assets	129,619,696
Restricted for net other postemployment benefits	39,810,077
Restricted for capital projects (sinking fund)	4,042,566
Restricted for debt service	348,844
Unrestricted	<u>(147,709,756)</u>
TOTAL NET POSITION	<u>\$ 26,111,427</u>

See notes to financial statements.

**KENTWOOD PUBLIC SCHOOLS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2026**

Functions/Programs	Expenses	Program Revenues		Governmental Activities
		Charges for Services	Operating Grants and Contributions	Net (expense) Revenue and Changes in Net Position
Governmental activities				
Instruction	\$ 75,405,395	\$ 564,168	\$ 48,548,680	\$ (26,292,547)
Support services	60,543,253	-	2,005,198	(58,538,055)
Community services	1,182,400	14,053	-	(1,168,347)
Athletics	4,174,194	400,417	-	(3,773,777)
Food services	8,760,638	192,293	9,835,480	1,267,135
Student/school activities	798,631	-	864,888	66,257
Unallocated depreciation/amortization	10,889,796	-	-	(10,889,796)
Interest on long-term debt	6,974,014	-	-	(6,974,014)
Total governmental activities	<u>\$ 168,728,321</u>	<u>\$ 1,170,931</u>	<u>\$ 61,254,246</u>	<u>(106,303,144)</u>
General revenues				
Property taxes, levied for general purposes				27,171,087
Property taxes, levied for debt service				12,424,107
Property taxes, levied for capital projects (sinking fund)				4,771,628
Investment earnings				2,512,868
State sources				70,465,475
Intermediate sources				19,851,378
Other				765,374
Total general revenues				<u>137,961,917</u>
CHANGE IN NET POSITION				31,658,773
NET POSITION, beginning of year				<u>(5,547,346)</u>
NET POSITION, end of year				<u>\$ 26,111,427</u>

See notes to financial statements.

**KENTWOOD PUBLIC SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2026**

	General Fund	2023 Capital Projects Fund	2025 Capital Projects Fund	2026A Capital Projects Fund	Total Nonmajor Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 4,450,706	\$ -	\$ -	\$ -	\$ 5,697,712	\$ 10,148,418
Investments	17,676,554	-	-	-	-	17,676,554
Receivables						
Accounts receivable	1,138,602	-	-	-	47,716	1,186,318
Intergovernmental	23,421,437	-	-	-	-	23,421,437
Due from other funds	395,581	-	-	-	10,484	406,065
Prepays	2,672,217	-	-	-	11,700	2,683,917
Inventories	757,192	-	-	-	36,463	793,655
Restricted cash and cash equivalents - capital projects	-	-	-	225,664	4,319,779	4,545,443
Restricted investments - capital projects	-	-	3,172,507	62,772,466	12,329,717	78,274,690
TOTAL ASSETS	\$ 50,512,289	\$ -	\$ 3,172,507	\$ 62,998,130	\$ 22,453,571	\$ 139,136,497
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
LIABILITIES						
Accounts payable	\$ 1,281,104	\$ -	\$ 3,172,507	\$ 4,284,070	\$ 389,989	\$ 9,127,670
Due to other governmental units	1,210,139	-	-	-	-	1,210,139
Due to other funds	-	-	-	4,935	401,130	406,065
Accrued salaries and related items	8,026,815	-	-	-	58,377	8,085,192
Accrued retirement	5,038,044	-	-	-	67,995	5,106,039
Unearned revenue	14,465,161	-	-	-	-	14,465,161
TOTAL LIABILITIES	30,021,263	-	3,172,507	4,289,005	917,491	38,400,266
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - leases	1,037,731	-	-	-	-	1,037,731
FUND BALANCES						
Nonspendable						
Prepays	2,672,217	-	-	-	11,700	2,683,917
Inventory	757,192	-	-	-	36,463	793,655
Restricted for:						
Debt service	-	-	-	-	1,828,400	1,828,400
Food service	-	-	-	-	2,390,998	2,390,998
Capital projects	-	-	-	58,709,125	16,237,168	74,946,293

See notes to financial statements.

	General Fund	2023 Capital Projects Fund	2025 Capital Projects Fund	2026A 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	\$ -	\$ -	\$ -	\$ -	\$ 1,031,351	\$ 1,031,351
Unassigned	16,023,886	-	-	-	-	16,023,886
TOTAL FUND BALANCES	19,453,295	-	-	58,709,125	21,536,080	99,698,500
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 50,512,289</u>	<u>\$ -</u>	<u>\$ 3,172,507</u>	<u>\$ 62,998,130</u>	<u>\$ 22,453,571</u>	<u>\$ 139,136,497</u>

Total governmental fund balances

\$ 99,698,500

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

Deferred outflows of resources - related to pensions	56,303,343
Deferred inflows of resources - related to pensions	(43,136,734)
Deferred outflows of resources - related to other postemployment benefits	7,910,868
Deferred inflows of resources - related to other postemployment benefits	(33,607,694)
Deferred inflows of resources - related to state aid funding for pensions	(12,003,709)
Deferred inflows of resources - deferred gain on refunding	(2,333,773)

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	39,810,077
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Capital assets used in governmental activities are not financial resources and are not reported in the funds:

The cost of capital assets is	\$ 460,015,394
Accumulated depreciation/amortization is	<u>(156,477,019)</u>
	303,538,375

Long-term obligations are not due and payable in the current period and are not reported in the funds:

General obligation bonds	(242,500,333)
Compensated absences	(3,375,539)
Accrued interest	(1,479,556)
Net pension liability	<u>(142,712,398)</u>

Net position of governmental activities

\$ 26,111,427

See notes to financial statements.

KENTWOOD PUBLIC SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2026

	General Fund	2023 Capital Projects Fund	2025 Capital Projects Fund	2026A Capital Projects Fund	Total Nonmajor Funds	Total Governmental Funds
REVENUES						
Local sources	\$ 29,772,541	\$ 260,537	\$ 941,610	\$ -	\$ 18,706,195	\$ 49,680,883
State sources	112,841,595	-	-	-	1,872,630	114,714,225
Federal sources	10,025,990	-	-	-	8,810,577	18,836,567
Intermediate sources	19,851,378	-	-	-	-	19,851,378
TOTAL REVENUES	172,491,504	260,537	941,610	-	29,389,402	203,083,053
EXPENDITURES						
Current						
Instruction	94,979,916	-	-	-	-	94,979,916
Supporting services	75,558,237	-	-	-	-	75,558,237
Community service activities	1,337,289	-	-	-	-	1,337,289
Food service activities	-	-	-	-	9,719,782	9,719,782
Student/school activities	-	-	-	-	798,631	798,631

See notes to financial statements.

	General Fund	2023 Capital Projects Fund	2025 Capital Projects Fund	2026A Capital Projects Fund	Total Nonmajor Funds	Total Governmental Funds
EXPENDITURES (continued)						
Capital outlay	\$ -	\$ 6,184,247	\$ 27,539,402	\$ 4,074,313	\$ 2,701,910	\$ 40,499,872
Arbitrage expenditures	-	1,525,409	-	-	-	1,525,409
Payments to other governments	91,525	-	-	-	-	91,525
Debt service						
Principal repayment	-	-	-	-	5,630,000	5,630,000
Interest	-	-	-	-	7,260,802	7,260,802
Bond issuance costs	-	-	-	518,716	418,597	937,313
Other	-	-	-	-	3,000	3,000
TOTAL EXPENDITURES	<u>171,966,967</u>	<u>7,709,656</u>	<u>27,539,402</u>	<u>4,593,029</u>	<u>26,532,722</u>	<u>238,341,776</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>524,537</u>	<u>(7,449,119)</u>	<u>(26,597,792)</u>	<u>(4,593,029)</u>	<u>2,856,680</u>	<u>(35,258,723)</u>
OTHER FINANCING SOURCES (USES)						
Proceeds from issuance of bonds	-	-	-	60,300,000	31,680,000	91,980,000
Premium on issuance of bonds	-	-	-	2,678,030	3,009,162	5,687,192
Payment to escrow agent	-	-	-	-	(22,060,360)	(22,060,360)
Proceeds from disposal of capital assets	96,478	-	-	-	-	96,478
Transfers in	735,000	-	-	324,124	-	1,059,124
Transfers out	-	-	(324,124)	-	(735,000)	(1,059,124)
TOTAL OTHER FINANCING SOURCES (USES)	<u>831,478</u>	<u>-</u>	<u>(324,124)</u>	<u>63,302,154</u>	<u>11,893,802</u>	<u>75,703,310</u>
NET CHANGE IN FUND BALANCES	1,356,015	(7,449,119)	(26,921,916)	58,709,125	14,750,482	40,444,587
FUND BALANCES						
Beginning of year	<u>18,097,280</u>	<u>7,449,119</u>	<u>26,921,916</u>	<u>-</u>	<u>6,785,598</u>	<u>59,253,913</u>
End of year	<u>\$ 19,453,295</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 58,709,125</u>	<u>\$ 21,536,080</u>	<u>\$ 99,698,500</u>

See notes to financial statements.

KENTWOOD PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

Net change in fund balances total governmental funds \$ 40,444,587

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	(10,889,796)
Capital outlay	39,931,164
Net book value of assets disposed	(138,388)

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	1,283,945
Accrued interest payable, end of the year	(1,479,556)

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	(91,980,000)
Premium on issuance of bonds	(5,687,192)
Payment to escrow agent	22,060,360
Payments on bonded debt	5,630,000
Arbitrage liability	1,436,073
Amortization of bond premium	571,735

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	3,248,067
Accrued compensated absences, end of the year	(3,375,539)

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	19,356,751
Other postemployment benefits related items	13,942,521

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	<u>(2,695,959)</u>
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Change in net position of governmental activities	<u>\$ 31,658,773</u>
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KENTWOOD PUBLIC SCHOOLS NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Government-wide Financial Statements

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

Reporting Entity

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

Basis of Presentation - Government-wide Financial Statements

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

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

Basis of Presentation - Fund Financial Statements

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

The District reports the following *Major Governmental Funds*:

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

The *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 *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.

KENTWOOD PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation - Fund Financial Statements (continued)

Major Governmental Funds (continued):

The *2026A 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.

Beginning with the year of bond issuance, the school district has reported the annual construction activity for the bonds represented in the 2023, 2025, 2026A, and 2026B Bonded Capital Projects Funds. Bonds authorized on May 4, 2021 include the 2022, 2023, 2025, and 2026A School Building and Site Bonds, Series I through IV. The projects for which these bonds were issued are not yet considered substantially complete, and a subsequent year audit is expected. Bonds authorized on May 11, 2026 include the 2026B School Building and Site Bonds, Series I. The projects for which these bonds were issued are not yet considered substantially complete, and a subsequent year audit is expected. The cumulative revenues, other financing sources (uses), and expenditures recognized for the construction period were as follows:

	2021 Authorization - Series I, II, III, and IV	2026 Authorization - Series I
Revenues and other financing sources	\$ 200,819,404	\$ 12,390,339
Expenditures and other financing uses	\$ 142,110,279	\$ 184,037

The District reports the following *Other Nonmajor Funds*:

The *Special Revenue Funds* account for revenue sources that are legally restricted or committed 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.

The *2026B 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.

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.

KENTWOOD PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

KENTWOOD PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting (continued)

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

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

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

Cash and Cash Equivalents

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

Investments

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

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

**KENTWOOD PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Investments (continued)

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.

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:

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

KENTWOOD PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Deferred 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.

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 five 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. The fifth item is the deferred gain on refunding. A deferred gain on refunding results from the difference in the carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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.

KENTWOOD PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Balance Policies

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.

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 it 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.

KENTWOOD PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Subscription-based IT Arrangements (SBITA)

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

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

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

- 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, 2026, 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.

**KENTWOOD PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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.

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 day 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, 2026, 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	1.5365

**KENTWOOD PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS

As of June 30, 2026 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, 2026, \$15,570,299 of the District's bank balance of \$15,820,299 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 \$14,693,861.

Custodial Credit Risk - Investments

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

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

Interest Rate Risk

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

Investment Type	Fair Value	Weighted Average Maturity
MILAF External Investment Pool - CMC	\$ 75,484,930	N/A
MILAF External Investment Pool - MAX	20,466,314	N/A
Total fair value	<u>\$ 95,951,244</u>	

Concentration of Credit Risk

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

KENTWOOD PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Concentration of Credit Risk (continued)

<u>Investment Type</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Agency</u>
MILAF External Investment Pool - CMC	\$ 75,484,930	AAAm	Standard & Poor's
MILAF External Investment Pool - MAX	<u>20,466,314</u>	AAAm	Standard & Poor's
Total fair value	<u><u>\$ 95,951,244</u></u>		

Foreign Currency Risk

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

Fair Value Measurement

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.

<u>Investment Type</u>	<u>Amortized Cost</u>
MILAF External Investment Pool - CMC	\$ 75,484,930
MILAF External Investment Pool - MAX	<u>20,466,314</u>
	<u><u>\$ 95,951,244</u></u>

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, 2026:

	<u>Primary Government</u>
Cash and cash equivalents	\$ 10,148,418
Investments	17,676,554
Restricted cash and cash equivalents - capital projects	4,545,443
Restricted investments - capital projects	<u>78,274,690</u>
	<u><u>\$ 110,645,105</u></u>

KENTWOOD PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 3 - INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables at June 30, 2026 consist of the following:

	Government- wide
State aid	\$ 20,621,544
Federal revenue	2,274,560
Intermediate	464,752
Other	60,581
	<u>\$ 23,421,437</u>

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, 2025	Additions/ Reclassifications	Deletions/ Reclassifications	Balance June 30, 2026
Assets not being depreciated/amortized				
Land	\$ 3,499,206	\$ -	\$ -	\$ 3,499,206
Construction in progress	75,963,940	36,088,370	16,990,516	95,061,794
Subtotal	<u>79,463,146</u>	<u>36,088,370</u>	<u>16,990,516</u>	<u>98,561,000</u>
Other capital assets				
Building and improvements	300,836,590	17,852,957	-	318,689,547
Machinery, furniture, and equipment	37,472,286	2,785,353	5,113,876	35,143,763
Right to use - subscription-based IT	1,222,924	-	129,497	1,093,427
Vehicles	7,293,777	195,000	961,120	6,527,657
Subtotal	<u>346,825,577</u>	<u>20,833,310</u>	<u>6,204,493</u>	<u>361,454,394</u>
Accumulated depreciation/amortization				
Building and improvements	128,306,582	7,613,533	-	135,920,115
Machinery, furniture, and equipment	18,947,631	2,407,804	4,992,202	16,363,233
Right to use - subscription-based IT	558,583	221,121	129,497	650,207
Vehicles	3,840,532	647,338	944,406	3,543,464
Total accumulated depreciation/amortization	<u>151,653,328</u>	<u>10,889,796</u>	<u>6,066,105</u>	<u>156,477,019</u>
Net capital assets being depreciated/amortized	<u>195,172,249</u>	<u>9,943,514</u>	<u>138,388</u>	<u>204,977,375</u>
Net governmental capital assets	<u>\$ 274,635,395</u>	<u>\$ 46,031,884</u>	<u>\$ 17,128,904</u>	<u>\$ 303,538,375</u>

Depreciation/amortization for the fiscal year ended June 30, 2026 amounted to \$10,889,796. The District determined that it was impractical to allocate depreciation/amortization to the various activities as the assets serve multiple functions.

KENTWOOD PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 5 - LONG-TERM OBLIGATIONS

The following is a summary of long-term obligations for the District for the year ended June 30, 2026:

	General Obligation Bonds	Compensated Absences*	Total
Balance July 1, 2025	\$ 175,429,009	\$ 3,248,067	\$ 178,677,076
Additions	97,667,192	127,472	97,794,664
Deletions	<u>(30,595,868)</u>	<u>-</u>	<u>(30,595,868)</u>
Balance June 30, 2026	242,500,333	3,375,539	245,875,872
Due within one year	<u>(3,935,000)</u>	<u>(337,554)</u>	<u>(4,272,554)</u>
Due in more than one year	<u><u>\$ 238,565,333</u></u>	<u><u>\$ 3,037,985</u></u>	<u><u>\$ 241,603,318</u></u>

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

Long-term obligations at June 30, 2026 are comprised of the following issues:

General Obligation Bonds

2019 School Building and Site bonds due in annual installments of \$1,260,000 to \$1,450,000 through May 1, 2036, with interest rates ranging from 4.00% to 5.00%.	\$ 14,070,000
2020 School Building and Site bonds due in annual installments of \$345,000 to \$390,000 through May 1, 2044, with interest rates ranging from 3.00% to 4.00%.	6,925,000
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%.	18,275,000
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%.	70,360,000
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

KENTWOOD PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 5 - LONG-TERM OBLIGATIONS (continued)

General Obligation Bonds (continued)

2026 Refunding bonds due in annual installments of \$780,000 to \$1,550,000 through May 1, 2044, with interest rates of 5.00%.	\$ 19,870,000
2026 School Building and Site bonds due in annual installments of \$150,000 to \$11,595,000 through May 1, 2056, with interest rates of 5.00%.	72,110,000
Plus issuance premium	<u>14,390,333</u>
Total general obligation bonds	242,500,333
Compensated absences	<u>3,375,539</u>
Total long-term obligations	<u><u>\$ 245,875,872</u></u>

The annual requirements to amortize long-term obligations outstanding, including interest, exclusive of compensated absences payments as of June 30, 2026, are as follows:

Year Ending June 30,	General Obligation Bonds		Compensated Absences	Total
	Principal	Interest		
2027	\$ 3,935,000	\$ 10,785,252	\$ -	\$ 14,720,252
2028	4,280,000	10,978,174	-	15,258,174
2029	3,225,000	10,784,726	-	14,009,726
2030	3,380,000	10,644,524	-	14,024,524
2031	3,555,000	10,482,876	-	14,037,876
2032 - 2036	21,135,000	49,721,875	-	70,856,875
2037 - 2041	30,965,000	43,826,975	-	74,791,975
2042 - 2046	43,025,000	35,123,225	-	78,148,225
2047 - 2051	55,245,000	23,374,575	-	78,619,575
2052 - 2056	<u>59,365,000</u>	<u>8,665,750</u>	<u>-</u>	<u>68,030,750</u>
	228,110,000	214,387,952	-	442,497,952
Issuance premium	14,390,333	-	-	14,390,333
Compensated absences	<u>-</u>	<u>-</u>	<u>3,375,539</u>	<u>3,375,539</u>
	<u><u>\$ 242,500,333</u></u>	<u><u>\$ 214,387,952</u></u>	<u><u>\$ 3,375,539</u></u>	<u><u>\$ 460,263,824</u></u>

Interest expense (all funds) for the year ended June 30, 2026 was \$7,260,802.

**KENTWOOD PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - LONG-TERM OBLIGATIONS (continued)

On February 11, 2026, the District issued general obligation bonds of \$19,870,000 with interest rates of 5.00% to advance refund the 2027 through 2044 bond payments of the 2016 School Building and Site bonds. The bonds mature at various times through May 1, 2044. The general obligation bonds were issued at a premium of \$2,430,019. After paying issuance costs of \$234,560 the net proceeds including bond premium were \$22,065,459. \$22,060,360 of the net proceeds from the issuance of the general obligation bonds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the bonds are paid in full. The advance refunding met the requirements of an in-substance debt defeasance and the term bonds were removed from the District's government-wide financial statements. As a result of the advance refunding, the District reduced its total debt service requirements by \$3,033,222, which resulted in an economic gain (difference between the present value of the debt service payment on the old and net debt) of \$2,389,515.

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.

Benefits Provided - Overall

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

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

KENTWOOD PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Benefits Provided - Pension

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

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

Pension Reform 2010

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

Pension Reform 2012

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

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

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

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

**KENTWOOD PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension Reform 2012 (continued)

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, and before February 1, 2018, 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.

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.

KENTWOOD PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension Reform of 2017 (continued)

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.

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

**KENTWOOD PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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 school fiscal years immediately preceding the retirement effective date. 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, 2025 were determined as of the September 30, 2022 actuarial valuations. The pension and OPEB unfunded (overfunded) actuarial accrued liabilities (UAAL) as of September 30, 2022 are amortized over a 14-year period beginning October 1, 2024 and ending September 30, 2038.

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

	Pension	Other Postemployment Benefits
October 1, 2025 - September 30, 2026	15.21% - 26.08%	0.00% - 3.83%
October 1, 2024 - September 30, 2025	20.96% - 30.11%	0.00% - 1.25%

KENTWOOD PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Employer Contributions (continued)

The District's pension contributions for the year ended June 30, 2026 were equal to the required contribution total. Total pension contributions were approximately \$33,540,000. Of the total pension contributions approximately \$31,826,000 was contributed to fund the Defined Benefit Plan and approximately \$1,714,000 was contributed to fund the Defined Contribution Plan.

The District's OPEB contributions for the year ended June 30, 2026 were equal to the required contribution total. Total OPEB contributions were approximately \$2,384,000. Of the total OPEB contributions approximately \$1,407,000 was contributed to fund the Defined Benefit Plan and approximately \$977,000 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, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2024 and rolled-forward using generally accepted actuarial procedures.

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

<u>MPSERS (Plan) Non-university Employers</u>	<u>September 30, 2025</u>	<u>September 30, 2024</u>
Total Pension Liability	\$ 97,436,103,863	\$ 95,765,499,515
Plan Fiduciary Net Position	\$ 77,403,114,236	\$ 71,283,482,728
Net Pension Liability	\$ 20,032,989,627	\$ 24,482,016,787
Proportionate Share	0.71239%	0.66122%
Net Pension Liability for the District	\$ 142,712,398	\$ 161,880,645

For the year ended June 30, 2026, the District recognized pension expense of \$12,469,609.

KENTWOOD PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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

At June 30, 2026, 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	\$ -	\$ 34,105,207
Differences between expected and actual experience	5,527,661	1,271,127
Changes in proportion and differences between employer contributions and proportionate share of contributions	16,556,316	217,706
Changes of assumptions	5,122,357	7,542,694
Reporting Unit's contributions subsequent to the measurement date	29,097,009	-
	<u>\$ 56,303,343</u>	<u>\$ 43,136,734</u>

\$29,097,009, 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
2027	\$ 3,655,273
2028	(10,018,069)
2029	(7,546,016)
2030	(2,021,588)

KENTWOOD PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

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

The net OPEB liability (asset) was measured as of September 30, 2025, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation date of September 30, 2024 and rolled-forward using generally accepted actuarial procedures.

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.

<u>MPSERS (Plan) Non-university Employers</u>	<u>September 30, 2025</u>	<u>September 30, 2024</u>
Total other postemployment benefits liability	\$ 9,360,649,860	\$ 9,991,545,923
Plan fiduciary net position	\$ 15,439,767,833	\$ 14,295,943,589
Net other postemployment benefits liability (asset)	\$ (6,079,117,973)	\$ (4,304,397,666)
Proportionate share	0.65487%	0.68093%
Net other postemployment benefits liability (asset) for the District	\$ (39,810,077)	\$ (29,309,755)

For the year ended June 30, 2026, the District recognized OPEB benefit of \$12,535,539.

At June 30, 2026, the Reporting Unit reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual other postemployment benefits plan investment earnings	\$ -	\$ 5,594,184
Differences between expected and actual experience	-	27,255,865
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,386,300	335,424
Changes of assumptions	5,313,081	422,221
Reporting Unit's contributions subsequent to the measurement date	<u>1,211,487</u>	<u>-</u>
	<u>\$ 7,910,868</u>	<u>\$ 33,607,694</u>

\$1,211,487, 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.

KENTWOOD PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

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
2027	\$ (7,115,052)
2028	(7,097,223)
2029	(6,500,640)
2030	(4,196,196)
2031	(1,518,202)
2032	(481,000)

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 adjusted for mortality improvements using projection scale MP-2021 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.

**KENTWOOD PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Actuarial Assumptions (continued)

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

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

Healthcare Cost Trend Rate for Other Postemployment Benefit - Pre 65, 7.75% for year one and graded to 3.50% in year fifteen. Post 65, 6.50% for year one and graded to 3.50% 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, 2025, 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*
	Pension	OPEB	
Domestic Equity Pools	21.0%	16.0%	5.8%
International Equity Pools	14.0%	11.0%	5.6%
Private Equity Pools	16.0%	16.0%	9.3%
Real Estate and Infrastructure Pools	8.0%	5.0%	7.0%
Fixed Income Pools	15.0%	26.0%	2.5%
Absolute Return Pools	13.0%	15.0%	4.4%
Real Return/Opportunistic Pools	9.0%	7.0%	7.0%
Short Term Investment Pools	4.0%	4.0%	1.3%
	<u>100.0%</u>	<u>100.0%</u>	

* Long term rate of return are net of administrative expenses and 2.4% inflation.

**KENTWOOD PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Actuarial Assumptions (continued)

Rate of Return - For fiscal year ended September 30, 2025, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was 9.81% and 9.24%, 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 was based on the assumption that in the future, 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 single discount rate was based on the assumption that in the future, 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	<u>\$ 225,208,035</u>	<u>\$ 142,712,398</u>	<u>\$ 74,004,092</u>

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	<u>\$ (34,298,900)</u>	<u>\$ (39,810,077)</u>	<u>\$ (44,633,550)</u>

**KENTWOOD PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

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		
		Current Healthcare Cost Trend Rates	
	1% Decrease		1% Increase
Reporting Unit's proportionate share of the net other postemployment benefit asset	<u>\$ (44,589,536)</u>	<u>\$ (39,810,077)</u>	<u>\$ (34,791,801)</u>

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.

KENTWOOD PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 8 - INTERFUND RECEIVABLES AND PAYABLES

Interfund payable and receivable balances at June 30, 2026 are as follows:

Receivable Fund		Payable Fund	
General	\$ 395,581	Student Activities	\$ 6,552
Sinking	2,795	Food Service	325,708
Debt Service	7,689	2026B Capital Projects	68,870
		2026A Capital Projects	4,935
	<u>\$ 406,065</u>		<u>\$ 406,065</u>

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 \$735,000 to the general fund for indirect cost reimbursement. Additionally, the 2025 capital projects fund transferred \$324,124 to the 2026A capital projects fund to close the 2025 capital projects fund.

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:

<u>Municipality</u>	<u>Taxes Abated</u>
City of Kentwood	<u>\$ 178,000</u>

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.

KENTWOOD PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

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 \$113,178 in lease revenue during the current fiscal year related to these leases. As of June 30, 2026, the District's receivable for lease payments was \$1,037,731. 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, 2026, the balance of the deferred inflow of resources was \$1,037,731.

NOTE 13 - UPCOMING ACCOUNTING PRONOUNCEMENT

In December 2025, the GASB issued Statement No. 105, *Subsequent Events*. This Statement clarifies the subsequent events that constitute recognized and nonrecognized events and establishes specific note disclosure requirements for nonrecognized events. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2026-2027 fiscal year.

NOTE 14 - CHANGES IN ACCOUNTING PRINCIPLES

For the year ended June 30, 2026, the District implemented the following GASB standards:

GASB Statement No. 103, *Financial Reporting Model Improvements*. The Standard addressed the following areas:

- a. Management's discussion and analysis (MD&A)
- b. Unusual or infrequent items
- c. Presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position;
- 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 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.

GASB 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. This Statement also requires additional disclosures for capital assets held for sale.

REQUIRED SUPPLEMENTARY INFORMATION

**KENTWOOD PUBLIC SCHOOLS
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2026**

	Budgeted Amounts		Variance with Original and Final Budget	Actual	Variance with Final Budget and Actual
	Original	Final			
REVENUES					
Local sources	\$ 27,539,200	\$ 29,834,100	\$ 2,294,900	\$ 29,772,541	\$ (61,559)
State sources	110,780,700	114,086,800	3,306,100	112,841,595	(1,245,205)
Intermediate sources	17,358,422	19,919,322	2,560,900	19,851,378	(67,944)
Federal sources	9,708,300	10,902,500	1,194,200	10,025,990	(876,510)
TOTAL REVENUES	165,386,622	174,742,722	9,356,100	172,491,504	(2,251,218)
EXPENDITURES					
Current					
Instruction					
Basic programs	70,871,200	73,971,100	(3,099,900)	72,563,506	1,407,594
Added needs	21,573,100	23,062,800	(1,489,700)	22,416,410	646,390
Total instruction	92,444,300	97,033,900	(4,589,600)	94,979,916	2,053,984
Supporting services					
Pupil	13,695,600	15,671,800	(1,976,200)	15,323,626	348,174
Instructional staff	12,813,800	13,273,200	(459,400)	12,488,340	784,860
General administration	1,380,000	1,391,300	(11,300)	1,364,756	26,544
School administration	8,700,300	8,963,900	(263,600)	8,870,293	93,607
Business	31,421,700	32,403,300	(981,600)	33,087,848	(684,548)
Athletics	4,121,000	4,630,100	(509,100)	4,423,374	206,726
Total supporting services	72,132,400	76,333,600	(4,201,200)	75,558,237	775,363
Community services	1,605,000	1,491,600	113,400	1,337,289	154,311
Payments to other governments	36,400	91,500	(55,100)	91,525	(25)
TOTAL EXPENDITURES	166,218,100	174,950,600	(8,732,500)	171,966,967	2,983,633
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(831,478)	(207,878)	623,600	524,537	732,415
OTHER FINANCING SOURCES (USES)					
Proceeds from disposal of capital assets	96,478	96,478	-	96,478	-
Transfers in	735,000	735,000	-	735,000	-
TOTAL OTHER FINANCING SOURCES (USES)	831,478	831,478	-	831,478	-
NET CHANGE IN FUND BALANCE	-	623,600	623,600	1,356,015	732,415
FUND BALANCE					
Beginning of year	18,097,280	18,097,280	-	18,097,280	-
End of year	\$ 18,097,280	\$ 18,720,880	\$ 623,600	\$ 19,453,295	\$ 732,415

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)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Reporting Unit's proportion of net pension liability (%)	0.71239%	0.66122%	0.63181%	0.62759%	0.62374%	0.61455%	0.60071%	0.58337%	0.57918%	0.57698%
Reporting Unit's proportionate share of net pension liability	\$ 142,712,398	\$ 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
Reporting Unit's covered-employee payroll	\$ 81,343,856	\$ 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
Reporting Unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	175.44%	222.39%	314.37%	387.06%	262.47%	427.12%	391.86%	347.26%	304.95%	295.86%
Plan fiduciary net position as a percentage of total pension liability (Non-university employers)	79.44%	74.44%	65.91%	60.77%	72.60%	59.72%	60.31%	62.36%	64.21%	63.01%

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

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Statutorily required pension contributions	\$ 31,826,360	\$ 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
Pension contributions in relation to statutorily required contributions	<u>31,826,360</u>	<u>31,291,298</u>	<u>26,818,189</u>	<u>28,719,978</u>	<u>21,906,266</u>	<u>18,146,028</u>	<u>17,265,237</u>	<u>15,810,822</u>	<u>14,671,500</u>	<u>13,202,172</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reporting Unit's covered-employee payroll (pension)	\$ 86,496,718	\$ 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
Pension contributions as a percentage of covered-employee payroll	36.79%	38.97%	37.90%	43.21%	36.04%	31.26%	30.95%	30.13%	29.49%	27.13%

**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)**

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Reporting Unit's proportion of net other postemployment benefits liability/asset (%)	0.65487%	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)	\$ (39,810,077)	\$ (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	\$ 81,343,856	\$ 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	48.94%	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)	164.94%	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 AS OF THE YEAR ENDED JUNE 30)

	<u>2026</u>	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required other postemployment benefits contributions	\$ 1,406,982	\$ 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	<u>1,406,982</u>	<u>406,501</u>	<u>5,751,592</u>	<u>5,162,911</u>	<u>5,286,873</u>	<u>4,582,592</u>	<u>4,804,606</u>	<u>4,432,249</u>	<u>4,057,564</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reporting Unit's covered-employee payroll (OPEB)	\$ 86,496,718	\$ 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	1.63%	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, 2026

NOTE 1 - 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 (executory) 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 Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
- 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 budgetary comparison schedule.
- 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 final budget was approved prior to June 30, 2026 year-end.

KENTWOOD PUBLIC SCHOOLS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2026

NOTE 2 - BUDGETARY COMPARISON

Significant Variances Between Original and Final Budget

	<u>Variance</u>	<u>Explanation</u>
REVENUES		
Local sources	\$ 2,294,900	Driven primarily by an upward adjustment in property tax values and increased/optimized projections for investment returns.
State sources	3,306,100	Driven by an increase in pupil enrollment and higher state categorical funding. A key factor in this increase was Section 271 funding, a state categorical designated to directly boost district-wide educator compensation.
Intermediate sources	2,560,900	Due to increased funding from Kent ISD. This allocation directly reflects growth in the District's special education pupil population.
Federal sources	1,194,200	Stems from larger funding amounts received across Title I, Title III, and Title IV programs. These programs aim to increase educational supports for various student populations.
EXPENDITURES		
Instruction - Basic	(3,099,900)	The reclassification of wages and benefits previously supported by temporary, Covid-era funding sources drove the majority of this variance. The remaining difference stems from Section 35m, a state grant awarded to help fund the District's recent K-5 literacy curriculum adoption.
Instruction - Added needs	(1,489,700)	Driven by expanded student support and targeted programming. The growth in services was made possible by the corresponding increase in state categorical funding.
Support - Pupil	(1,976,200)	Expanding student support to address heightened student needs, particularly within special education services, was the primary driver of this increase. These additional resources were delivered through a combination of internal staffing increases and contracted services with community partners.

KENTWOOD PUBLIC SCHOOLS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2026

NOTE 2 - BUDGETARY COMPARISON (continued)

Significant Variances Between Final Budget and Actual

	<u>Variance</u>	<u>Explanation</u>
REVENUES		
State sources	\$ (1,245,205)	Primarily attributable to the timing of revenue recognition requiring funds to be deferred to properly match corresponding expenses.
EXPENDITURES		
Instruction - Basic	1,407,594	Driven by timing recognition associated with the K-5 curriculum adoption taking place in FY27. The remaining variance represents routine budget management, with expenditures falling within less than 1% of projected estimates.

NOTE 3 - 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.

KENTWOOD PUBLIC SCHOOLS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2026

NOTE 4 - 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:

- 2025 - The health care cost trend rate used in the September 30, 2024, actuarial valuation increased by 0.50 percentage points for members under 65. This increased the plan's total OPEB liability by \$267 million in 2025.
- 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.
- 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, 2026**

	Special Revenue		Capital Projects			Total
	Food Service	Student/ School Activities	Sinking Fund	2026B Capital Projects	Debt Service	Nonmajor Funds
ASSETS						
Cash and cash equivalents	\$ 2,856,655	\$ 1,020,346	\$ -	\$ -	\$ 1,820,711	\$ 5,697,712
Accounts receivable	1,129	46,587	-	-	-	47,716
Due from other funds	-	-	2,795	-	7,689	10,484
Prepays	-	-	11,700	-	-	11,700
Inventories	36,463	-	-	-	-	36,463
Restricted cash and cash equivalents - capital projects	-	-	4,319,779	-	-	4,319,779
Restricted investments - capital projects	-	-	-	12,329,717	-	12,329,717
TOTAL ASSETS	\$ 2,894,247	\$ 1,066,933	\$ 4,334,274	\$ 12,329,717	\$ 1,828,400	\$ 22,453,571
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	\$ 14,706	\$ 29,030	\$ 291,708	\$ 54,545	\$ -	\$ 389,989
Accrued salaries and related items	58,377	-	-	-	-	58,377
Accrued retirement	67,995	-	-	-	-	67,995
Due to other funds	325,708	6,552	-	68,870	-	401,130
TOTAL LIABILITIES	466,786	35,582	291,708	123,415	-	917,491
FUND BALANCES						
Nonspendable						
Prepays	-	-	11,700	-	-	11,700
Inventory	36,463	-	-	-	-	36,463
Restricted						
Food service	2,390,998	-	-	-	-	2,390,998
Debt service	-	-	-	-	1,828,400	1,828,400
Capital projects	-	-	4,030,866	12,206,302	-	16,237,168
Committed						
Student/school activities	-	1,031,351	-	-	-	1,031,351
TOTAL FUND BALANCES	2,427,461	1,031,351	4,042,566	12,206,302	1,828,400	21,536,080
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,894,247	\$ 1,066,933	\$ 4,334,274	\$ 12,329,717	\$ 1,828,400	\$ 22,453,571

KENTWOOD PUBLIC SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUND TYPES
YEAR ENDED JUNE 30, 2026

	Special Revenue		Capital Projects			Total Nonmajor Funds
	Food Service	Student/School Activities	Sinking Fund	2026B Capital Projects	Debt Service	
REVENUES						
Local sources	\$ 277,207	\$ 901,070	\$ 4,900,878	\$ 1,196	\$ 12,625,844	\$ 18,706,195
State sources	1,024,903	-	235,444	-	612,283	1,872,630
Federal sources	8,810,577	-	-	-	-	8,810,577
TOTAL REVENUES	10,112,687	901,070	5,136,322	1,196	13,238,127	29,389,402
EXPENDITURES						
Food service	9,719,782	-	-	-	-	9,719,782
Student/school activities	-	798,631	-	-	-	798,631
Capital outlay	61,073	-	2,640,837	-	-	2,701,910
Bond issuance costs	-	-	-	184,037	234,560	418,597
Debt service						
Principal repayment	-	-	-	-	5,630,000	5,630,000
Interest	-	-	-	-	7,260,802	7,260,802
Other expenses	-	-	-	-	3,000	3,000
TOTAL EXPENDITURES	9,780,855	798,631	2,640,837	184,037	13,128,362	26,532,722
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	331,832	102,439	2,495,485	(182,841)	109,765	2,856,680
OTHER FINANCING SOURCES (USES)						
Proceeds from issuance of bonds	-	-	-	11,810,000	19,870,000	31,680,000
Premium on issuance of bonds	-	-	-	579,143	2,430,019	3,009,162
Payment to escrow agent	-	-	-	-	(22,060,360)	(22,060,360)
Transfers out	(735,000)	-	-	-	-	(735,000)
TOTAL OTHER FINANCING SOURCES (USES)	(735,000)	-	-	12,389,143	239,659	11,893,802
NET CHANGE IN FUND BALANCES	(403,168)	102,439	2,495,485	12,206,302	349,424	14,750,482
FUND BALANCES						
Beginning of year	2,830,629	928,912	1,547,081	-	1,478,976	6,785,598
End of year	\$ 2,427,461	\$ 1,031,351	\$ 4,042,566	\$ 12,206,302	\$ 1,828,400	\$ 21,536,080

**KENTWOOD PUBLIC SCHOOLS
BONDED DEBT
JUNE 30, 2026**

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

Principal Due May 1	Interest Due		Debt Service Requirement for Fiscal Year	
	May 1	November 1	June 30,	Amount
\$ 1,260,000	\$ 332,000	\$ 332,000	2027	\$ 1,924,000
1,320,000	306,800	306,800	2028	1,933,600
1,370,000	280,400	280,400	2029	1,930,800
1,440,000	253,000	253,000	2030	1,946,000
1,445,000	217,000	217,000	2031	1,879,000
1,445,000	180,875	180,875	2032	1,806,750
1,445,000	144,750	144,750	2033	1,734,500
1,445,000	108,625	108,625	2034	1,662,250
1,450,000	72,500	72,500	2035	1,595,000
1,450,000	36,250	36,250	2036	1,522,500
<u>\$ 14,070,000</u>	<u>\$ 1,932,200</u>	<u>\$ 1,932,200</u>		<u>\$ 17,934,400</u>

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

**KENTWOOD PUBLIC SCHOOLS
BONDED DEBT
JUNE 30, 2026**

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

Principal Due May 1	Interest Due		Debt Service Requirement for Fiscal Year	
	May 1	November 1	June 30,	Amount
\$ 345,000	\$ 111,375	\$ 111,375	2027	\$ 567,750
385,000	104,475	104,475	2028	593,950
385,000	96,775	96,775	2029	578,550
385,000	89,075	89,075	2030	563,150
385,000	81,375	81,375	2031	547,750
385,000	75,600	75,600	2032	536,200
385,000	69,825	69,825	2033	524,650
385,000	64,050	64,050	2034	513,100
385,000	58,275	58,275	2035	501,550
385,000	52,500	52,500	2036	490,000
385,000	46,725	46,725	2037	478,450
390,000	40,950	40,950	2038	471,900
390,000	35,100	35,100	2039	460,200
390,000	29,250	29,250	2040	448,500
390,000	23,400	23,400	2041	436,800
390,000	17,550	17,550	2042	425,100
390,000	11,700	11,700	2043	413,400
390,000	7,200	7,200	2044	404,400
<u>\$ 6,925,000</u>	<u>\$ 1,015,200</u>	<u>\$ 1,015,200</u>		<u>\$ 8,955,400</u>

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

**KENTWOOD PUBLIC SCHOOLS
BONDED DEBT
JUNE 30, 2026**

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

Principal Due May 1	Interest Due		Debt Service Requirement for Fiscal Year	
	May 1	November 1	June 30,	Amount
\$ 350,000	\$ 413,313	\$ 413,312	2027	\$ 1,176,625
350,000	406,312	406,312	2028	1,162,624
350,000	399,313	399,313	2029	1,148,626
350,000	392,312	392,312	2030	1,134,624
350,000	385,313	385,313	2031	1,120,626
350,000	378,312	378,312	2032	1,106,624
350,000	371,313	371,313	2033	1,092,626
350,000	364,312	364,312	2034	1,078,624
350,000	357,313	357,313	2035	1,064,626
350,000	350,312	350,312	2036	1,050,624
1,000,000	342,438	342,438	2037	1,684,876
1,000,000	319,937	319,937	2038	1,639,874
1,000,000	297,438	297,438	2039	1,594,876
1,000,000	274,937	274,937	2040	1,549,874
1,000,000	249,938	249,938	2041	1,499,876
1,000,000	224,937	224,937	2042	1,449,874
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	152,437	152,437	2045	1,994,874
1,695,000	114,413	114,413	2046	1,923,826
1,695,000	76,274	76,274	2047	1,847,548
1,695,000	38,138	38,138	2048	1,771,276
<u>\$ 18,275,000</u>	<u>\$ 6,283,888</u>	<u>\$ 6,283,887</u>		<u>\$ 30,842,775</u>

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

**KENTWOOD PUBLIC SCHOOLS
BONDED DEBT
JUNE 30, 2026**

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

Principal Due May 1	Interest Due		Debt Service Requirement for Fiscal Year	
	May 1	November 1	June 30,	Amount
\$ -	\$ 1,759,000	\$ 1,759,000	2027	\$ 3,518,000
-	1,759,000	1,759,000	2028	3,518,000
-	1,759,000	1,759,000	2029	3,518,000
-	1,759,000	1,759,000	2030	3,518,000
-	1,759,000	1,759,000	2031	3,518,000
-	1,759,000	1,759,000	2032	3,518,000
650,000	1,759,000	1,759,000	2033	4,168,000
920,000	1,742,750	1,742,750	2034	4,405,500
920,000	1,719,750	1,719,750	2035	4,359,500
1,240,000	1,696,750	1,696,750	2036	4,633,500
1,525,000	1,665,750	1,665,750	2037	4,856,500
1,880,000	1,627,625	1,627,625	2038	5,135,250
2,235,000	1,580,625	1,580,625	2039	5,396,250
2,590,000	1,524,750	1,524,750	2040	5,639,500
2,955,000	1,460,000	1,460,000	2041	5,875,000
3,345,000	1,386,125	1,386,125	2042	6,117,250
3,755,000	1,302,500	1,302,500	2043	6,360,000
4,165,000	1,208,625	1,208,625	2044	6,582,250
4,550,000	1,104,500	1,104,500	2045	6,759,000
4,915,000	990,750	990,750	2046	6,896,500
4,955,000	867,875	867,875	2047	6,690,750
4,960,000	744,000	744,000	2048	6,448,000
4,960,000	620,000	620,000	2049	6,200,000
4,960,000	496,000	496,000	2050	5,952,000
4,960,000	372,000	372,000	2051	5,704,000
4,960,000	248,000	248,000	2052	5,456,000
4,960,000	124,000	124,000	2053	5,208,000
<u>\$ 70,360,000</u>	<u>\$ 34,795,375</u>	<u>\$ 34,795,375</u>		<u>\$ 139,950,750</u>

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

**KENTWOOD PUBLIC SCHOOLS
BONDED DEBT
JUNE 30, 2026**

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

Principal Due May 1	Interest Due		Debt Service Requirement for Fiscal Year	
	May 1	November 1	June 30,	Amount
\$ -	\$ 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
<u>\$ 26,500,000</u>	<u>\$ 14,772,250</u>	<u>\$ 14,772,250</u>		<u>\$ 56,044,500</u>

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

**KENTWOOD PUBLIC SCHOOLS
BONDED DEBT
JUNE 30, 2026**

\$72,110,000 Building and site bonds issued June 30, 2026.

Principal Due May 1	Interest Due		Debt Service Requirement for Fiscal Year	
	May 1	November 1	June 30,	Amount
\$ 1,200,000	\$ 1,211,849	\$ 1,802,750	2027	\$ 4,214,599
1,200,000	1,772,750	1,772,750	2028	4,745,500
-	1,742,750	1,742,750	2029	3,485,500
-	1,742,750	1,742,750	2030	3,485,500
-	1,742,750	1,742,750	2031	3,485,500
-	1,742,750	1,742,750	2032	3,485,500
-	1,742,750	1,742,750	2033	3,485,500
-	1,742,750	1,742,750	2034	3,485,500
150,000	1,742,750	1,742,750	2035	3,635,500
300,000	1,739,000	1,739,000	2036	3,778,000
465,000	1,731,500	1,731,500	2037	3,928,000
685,000	1,719,875	1,719,875	2038	4,124,750
900,000	1,702,750	1,702,750	2039	4,305,500
1,075,000	1,680,250	1,680,250	2040	4,435,500
1,265,000	1,653,375	1,653,375	2041	4,571,750
1,475,000	1,621,750	1,621,750	2042	4,718,500
1,695,000	1,584,875	1,584,875	2043	4,864,750
1,780,000	1,542,500	1,542,500	2044	4,865,000
1,870,000	1,498,000	1,498,000	2045	4,866,000
1,965,000	1,451,250	1,451,250	2046	4,867,500
2,060,000	1,402,125	1,402,125	2047	4,864,250
2,160,000	1,350,625	1,350,625	2048	4,861,250
2,270,000	1,296,625	1,296,625	2049	4,863,250
2,380,000	1,239,875	1,239,875	2050	4,859,750
4,460,000	1,180,375	1,180,375	2051	6,820,750
4,685,000	1,068,875	1,068,875	2052	6,822,750
4,920,000	951,750	951,750	2053	6,823,500
10,515,000	828,750	828,750	2054	12,172,500
11,040,000	565,875	565,875	2055	12,171,750
11,595,000	289,875	289,875	2056	12,174,750
<u>\$ 72,110,000</u>	<u>\$ 43,283,724</u>	<u>\$ 43,874,625</u>		<u>\$ 159,268,349</u>

The bonds were approved by the Board of Education at the May 4, 2021 and May 11, 2026 meetings to be used for school building and site purposes. The bonds carry interest rates of 5.00%.

**KENTWOOD PUBLIC SCHOOLS
BONDED DEBT
JUNE 30, 2026**

\$19,870,000 Refunding bonds issued February 11, 2026.

Principal Due May 1	Interest Due		Debt Service Requirement for Fiscal Year	
	May 1	November 1	June 30,	Amount
\$ 780,000	\$ 717,528	\$ 496,750	2027	\$ 2,344,500
1,025,000	477,250	477,250	2028	2,289,500
1,120,000	451,625	451,625	2029	2,229,250
1,205,000	423,625	423,625	2030	2,169,000
1,375,000	393,500	393,500	2031	2,108,750
1,550,000	359,125	359,125	2032	2,048,500
1,095,000	320,375	320,375	2033	1,988,250
1,025,000	293,000	293,000	2034	1,928,000
1,035,000	267,375	267,375	2035	1,867,750
1,040,000	241,500	241,500	2036	1,807,500
1,040,000	215,500	215,500	2037	1,747,250
1,050,000	189,500	189,500	2038	1,687,000
1,060,000	163,250	163,250	2039	1,626,750
1,070,000	136,750	136,750	2040	1,566,500
1,085,000	110,000	110,000	2041	1,506,250
1,095,000	82,875	82,875	2042	1,446,000
1,100,000	55,500	55,500	2043	1,385,750
1,120,000	28,000	28,000	2044	1,325,500
<u>\$ 19,870,000</u>	<u>\$ 4,926,278</u>	<u>\$ 4,705,500</u>		<u>\$ 33,072,000</u>

The bonds were approved by the Board of Education at the January 26, 2026 meeting to be used to refund the 2016 Building and site bonds. The bonds carry interest rates of 5.00%.



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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, 2026, 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 8, 2026.

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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Maney Costeiran PC

Lansing, Michigan
October 8, 2026



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October 8, 2026

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, 2026. 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. We have communicated such information orally during our discussion on October 12, 2026. 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) Statements No. 103, *Financial Reporting Model Improvements* and No. 104, *Disclosure of Certain Capital Assets* during the year ended June 30, 2026. 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 8, 2026.

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 Kentwood Public Schools' financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

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

Other Matters

We applied certain limited procedures to the required supplementary information (RSI) 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,

Maney Costeiran PC

Lansing, Michigan