



# **Kentwood Public Schools Kentwood, Michigan**

**Annual Financial Report  
Year Ended June 30, 2020**

**Kentwood Public Schools**  
**Kentwood, Michigan**

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Annual Financial Report  
Year Ended June 30, 2020

# Kentwood Public Schools Kentwood, Michigan

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## **Independent Auditor's Report**

Board of Education  
Kentwood Public Schools  
Kentwood, Michigan

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Kentwood Public Schools (the District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

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

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

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

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

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2020, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 8 through 15, the Schedules of the District's Proportionate Share of the Net Pension Liability and Contributions and the Schedules of the District's Proportionate Share of the Net OPEB Liability and Contributions on pages 57 through 61 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

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

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2020, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*BDO USA, LLP*

October 23, 2020

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# Kentwood Public Schools Kentwood, Michigan

## Management Discussion and Analysis

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The following discussion and analysis provides an overview of the financial position and activities of Kentwood Public Schools (the District) for the year ended June 30, 2020. This is a requirement of the Governmental Accounting Standards Board Statement No. 34 (GASB) *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* and should be read in conjunction with the District's financial statements, which follow this section.

### Using this Annual Report

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

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

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

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

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

# Kentwood Public Schools Kentwood, Michigan

## Management Discussion and Analysis

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

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

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

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

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**Kentwood Public Schools  
Kentwood, Michigan**

**Management Discussion and Analysis**

**The District as a Whole**

The Statement of Net Position provides the perspective of the District as a whole. The schedule below provides a summary of the District's net position as of June 30, 2020, as well as the prior year:

<i>June 30,</i>	Governmental Activities (in millions)	
	2020	2019
<b>Assets</b>		
Current assets	\$ 45.9	\$ 48.9
Capital assets, net	178.3	172.9
<b>Total Assets</b>	<b>224.2</b>	<b>221.8</b>
<b>Deferred Outflows of Resources</b>	<b>68.4</b>	<b>67.4</b>
<b>Liabilities</b>		
Current liabilities	15.4	17.5
Noncurrent liabilities	325.9	304.1
<b>Total Liabilities</b>	<b>341.3</b>	<b>321.6</b>
<b>Deferred Inflows of Resources</b>	<b>31.6</b>	<b>31.0</b>
<b>Net Position (Deficit)</b>		
Net investment in capital assets	114.9	111.6
Restricted	3.3	2.5
Unrestricted	(198.5)	(177.6)
<b>Total Net Position (Deficit)</b>	<b>\$ (80.3)</b>	<b>\$ (63.5)</b>

The above analysis focuses on the District's net position. The current year change in net position of the District's governmental activities is discussed below. The District's net position (deficit) was (\$80.3) million at June 30, 2020. Net investment in capital assets totaled \$114.9 million. This compares the original cost, less depreciation of the District's capital assets, to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due.

The (\$195.2) million in restricted and unrestricted net position (deficit) of governmental activities represents the accumulated results of all past years' operations. The unrestricted deficit is a result of reporting for the pension and OPEB plans under GASB Statement No. 68 and GASB Statement No. 75. The operating results of the General Fund will have a significant impact on the change in unrestricted net position (deficit) from year to year.

**Kentwood Public Schools  
Kentwood, Michigan**

**Management Discussion and Analysis**

The results of this year's operations for Kentwood Public Schools as a whole are reported in the statement of activities, which shows the changes in net position for fiscal year 2020. The schedule below summarizes the change in net position of the District for the year ended June 30, 2020, as well as the prior year:

	Governmental Activities (in millions)	
<i>Year ended June 30,</i>	<b>2020</b>	<b>2019</b>
<b>Revenues</b>		
Program revenues:		
Charges for services	\$ 1.6	\$ 2.1
Operating grants and contributions	44.7	40.8
General revenues:		
Property taxes	32.1	30.9
State foundation allowance	51.2	50.6
Other	1.0	1.1
<b>Total Revenues</b>	<b>130.6</b>	<b>125.5</b>
<b>Functional/Program Expenses</b>		
Instruction	82.6	69.9
Support services	45.6	37.8
Community services	0.7	0.6
Ice arena	0.2	0.3
Food services	4.6	4.6
Athletics	1.7	1.7
Interest on long-term debt	0.6	2.1
Unallocated depreciation	8.4	7.4
Other	3.0	1.7
<b>Total Expenses</b>	<b>147.4</b>	<b>126.1</b>
<b>Change in Net Position (Deficit)</b>	<b>(16.8)</b>	<b>(0.5)</b>
<b>Net Position (Deficit), beginning of year</b>	<b>(63.5)</b>	<b>(63.0)</b>
<b>Net Position (Deficit), end of year</b>	<b>\$ (80.3)</b>	<b>\$ (63.5)</b>

As reported in the statement of activities, the cost of all governmental activities this year was \$147.4 million. Certain activities were partially funded from those who benefited from the programs from charges for services of \$1.6 million or by other governments and organizations that subsidized certain programs with grants and contributions of \$44.7 million. The remaining "public benefit" portion of governmental activities was funded with \$32.1 million in taxes, \$51.2 million in State foundation allowance, and with other revenues, interest and general entitlements.

# Kentwood Public Schools Kentwood, Michigan

## Management Discussion and Analysis

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Operating grants and contributions increased approximately \$3.9 million during the year as a result of increased state and federal grants received. Instruction and support services expense increased approximately \$12.7 million and \$7.8 million, respectively, which is related to an increase in pension expense as a result of the pension plan actuarial valuation.

Kentwood Public Schools experienced a decrease in net position of (\$16.8) million. The net position decreased primarily because of a substantial increase in pension costs through the State of Michigan Office of Retirement Services.

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

### The District's Funds

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

As the District completed this year, the governmental funds reported a combined fund balance of \$30.9 million, this was a decrease of \$1.5 million from the prior year. The primary reason for this decrease was a one-time unexpected reduction in foundation allowance of \$175 per student FTE due to the COVID pandemic by the State of Michigan in August 2020. Additionally, capital funds were allocated during the year for facility improvements and student advancements in technology as indicated in the 2015 bond proposal. The changes by major and non-major funds are as follows:

	General Fund	2016 Building and Site Fund	Nonmajor Funds	Total
<b>Fund Balances, beginning of year</b>	\$ 12,725,471	\$ 16,184,774	\$ 3,517,444	\$ 32,427,689
<b>Increase (decrease)</b>	(818,909)	(1,006,553)	311,038	(1,514,424)
<b>Fund Balances, end of year</b>	\$ 11,906,562	\$ 15,178,221	\$ 3,828,482	\$ 30,913,265

In the General Fund, our principal operating fund, the fund balance decreased by \$0.8 million. It is the District's intention to maintain a General Fund balance at a level that provides the available resources to avoid borrowing funds on a short-term basis for cash flow purposes or unanticipated changes in revenues and/or expenditures in light of the precarious economic conditions in the State. Furthermore, the Board of Education has established a commitment to an annual balanced budget in order to maintain a responsible fund balance for the District. With this goal in mind, the District has adopted a 2020-2021 General Fund operating budget which addresses the primary financial goal of the Board of Education and our ability to satisfy the district mission statement for educational value.

The fund balance of the 2016 Building and Site Fund decreased by \$1.0 million. This decrease is due to capital expenditures exceeding the sale of Phase 3 bonds in the amount of \$8.9 million as planned in the original bond issue as approved by the Kentwood Community in November 2016. The original

# Kentwood Public Schools Kentwood, Michigan

## Management Discussion and Analysis

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bond issue called for the total sale of bonds to be executed in 3 phases saving the District taxpayers money in financing.

### General Fund Budgetary Highlights

The Uniform Budget Act of the State of Michigan (the “State”) requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the District’s fiscal year. As a matter of practice, due to attempts to deal with foreseen and unforeseen changes in revenues and expenditures, the District amends its budget at least once during the fiscal year, as State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. For Fiscal year 2019-2020, an amendment to the General Fund budget was adopted by the Board of Education in February 2020. The final budget was adopted by the Board of Education in June 2020.

The General Fund final budget for revenues and other sources was increased by \$3.6 million from original budget to reflect increases in property taxes, state sources based on student enrollment, federal grants awarded to the District, and other revenue. At the time of the District’s original budget in June 2019, the State of Michigan had not finalized the school aid fund budget. Actual revenues were below the final budget by \$2.8 million due to an unexpected reduction of student foundation allowance by the State of Michigan in August 2020 due to the COVID pandemic and the deferment of grant funds allocated at the end of the school year.

The final budgeted expenditures and other uses in the General Fund increased from original budget by \$3.3 million reflecting updated estimates for staffing costs. Actual expenditures were below final budget by \$1.5 million due to efficiencies in human resources management and updating District assets to reduce repair cost and time spent. Also a factor was the reduction in utility costs and fuels costs.

### Capital Assets and Debt Administration

#### *Capital Assets, Net of Accumulated Depreciation*

At June 30, 2010, the District had \$178.3 million invested in a broad range of capital assets including land, buildings, and furniture and equipment. This amount represents a net increase (including additions, deductions, and depreciation) of approximately \$5.5 million or 3.2% from last year.

<i>June 30,</i>	<b>2020</b>	<b>2019</b>
Land and improvements	\$ 3,430,764	\$ 5,329,601
Buildings and construction in process	160,025,361	150,728,475
Furniture and equipment	14,856,364	16,793,151
<b>Total Capital Assets</b>	<b>\$ 178,312,489</b>	<b>\$ 172,851,227</b>

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

# Kentwood Public Schools Kentwood, Michigan

## Management Discussion and Analysis

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### **Debt**

The District issued bonds in the amount of \$8.9 million during the year ended June 30, 2020. At the end of this year, the District had \$73.0 million in bonds outstanding versus \$70.9 million in the previous year - an increase of 3.0%. Those bonds consisted of the following:

<i>June 30,</i>	<b>2020</b>	<b>2019</b>
General Obligation Bonds	<b>\$ 72,995,000</b>	<b>\$ 70,915,000</b>

In 2019-20 and 2018-19, the District levied 4.25 mills of property taxes on all classes of property located within the District for bonded debt service.

The state limits the amount of general obligation debt that schools can issue to 15% of the assessed value of all taxable property within the District's boundaries. The District's outstanding unqualified general obligation debt of \$73.0 million is significantly below the \$328.8 million statutorily imposed limit.

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

### **Economic Factors and Next Year's Budget**

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

Since a significant portion of the District's revenue is dependent on State funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its committed appropriation to school districts. As the State of Michigan economy rebounds from the COVID pandemic, there remains a high level of uncertainty for School Aid Fund revenue. The school aid fund (SAF) in the State of Michigan is primarily funded through sales and use tax, which has been dramatically affected by the COVID pandemic. It remains extremely important for all school districts to react cautiously to the current economic projections and conditions. As stated, the Kentwood Board of Education has directed district administration to make the necessary reductions/adjustments to the general fund operating budget, on an ongoing basis, so that we are able to maintain a sufficient fund balance which will allow us to address this ever changing situation.

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus pandemic. First identified in late 2019 and now known as COVID-19, the outbreak has impacted thousands of individuals worldwide. The impact of COVID-19 will require the District to carefully monitor its budget for fiscal year 2020-2021. It will also be necessary to monitor decisions made at the federal and state level pertaining to financial resources, as those decisions will directly impact the District's budget. As additional information becomes known by the District, the budget will be reviewed and adjusted, as needed, to ensure adequate resources are available. The District was awarded approximately \$1.8 million in CARES Act funding for the COVID-19 Unanticipated School Closures program during the year ended June 30, 2020; the District will continue to monitor the impact of the CARES act during fiscal year 2020-2021.

# Kentwood Public Schools Kentwood, Michigan

## Management Discussion and Analysis

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Another important factor affecting the District's budget is our student count. State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. Based on preliminary counts for the current year (2020-21) we are estimating enrollment to remain consistent with the prior year.

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

### **Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report, or need additional financial information, please contact:

Todd Bell  
Executive Director of Finance and Business Operations  
Kentwood Public Schools  
5820 Eastern Avenue SE  
Kentwood, Michigan 49508

## **District-Wide Financial Statements**

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**Kentwood Public Schools  
Kentwood, Michigan**

**District-Wide Financial Statements  
Statement of Net Position**

<i>June 30, 2020</i>	Governmental Activities
<b>Assets</b>	
<b>Current Assets</b>	
Cash and deposits (Note 3)	\$ 6,676,252
Investments (Note 3)	7,648,883
Restricted investments (Note 3)	17,131,965
Receivables:	
Due from other governmental units	14,051,343
Accounts	13,681
Prepaid items	314,318
Inventories	28,134
<b>Total Current Assets</b>	<b>45,864,576</b>
<b>Noncurrent Assets</b>	
Land, improvements and construction in process (Note 5)	12,357,291
Capital assets, net of accumulated depreciation (Note 5)	165,955,198
<b>Total Noncurrent Assets</b>	<b>178,312,489</b>
<b>Total Assets</b>	<b>\$ 224,177,065</b>
<b>Deferred Outflows of Resources</b>	
Deferred charge on refunding	\$ 290,483
Related to pensions (Note 6)	54,629,895
Related to other postemployment benefits (Note 6)	13,478,722
<b>Total Deferred Outflows of Resources</b>	<b>\$ 68,399,100</b>

**Kentwood Public Schools  
Kentwood, Michigan**

**District-Wide Financial Statements  
Statement of Net Position (Concluded)**

<i>June 30, 2020</i>	Governmental Activities
<b>Liabilities</b>	
<b>Current Liabilities</b>	
Accounts payable	\$ 3,532,007
Salaries payable	5,987,264
Accrued employee benefits	4,535,166
Due to other governmental units	519,008
Unearned revenue	377,866
Accrued interest	482,325
Current portion of long-term liabilities (Note 7)	8,043,585
<b>Total Current Liabilities</b>	<b>23,477,221</b>
<b>Noncurrent Liabilities, net of current portion:</b>	
Bonds payable (Note 7)	72,971,544
Compensated absences payable (Note 7)	1,864,464
Net pension liability (Note 6)	198,934,485
Net other postemployment benefits liability (Note 6)	44,083,021
<b>Total Noncurrent Liabilities</b>	<b>317,853,514</b>
<b>Total Liabilities</b>	<b>\$ 341,330,735</b>
<b>Deferred Inflows of Resources</b>	
Related to pensions (Note 6)	\$ 14,445,246
Related to other postemployment benefits (Note 6)	17,110,008
<b>Total Deferred Inflows of Resources</b>	<b>\$ 31,555,254</b>
<b>Net Position (Deficit)</b>	
Net investment in capital assets (Note 13)	\$ 114,905,524
Restricted for food service	1,830,701
Restricted for debt retirement	740,656
Restricted for capital projects	748,885
Unrestricted	(198,535,590)
<b>Total Net Position (Deficit)</b>	<b>\$ (80,309,824)</b>

*See accompanying notes to financial statements.*

**Kentwood Public Schools  
Kentwood, Michigan**

**District-Wide Financial Statements  
Statement of Activities**

<i>Year ended June 30, 2020</i>	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Total
<b>Functions/Programs Governmental Activities</b>				
Instruction:				
Basic programs	\$ 64,500,036	\$ 342,531	\$ 139,060	\$ (64,018,445)
Added needs	18,137,584	-	35,381,888	17,244,304
<b>Total instruction</b>	<b>82,637,620</b>	<b>342,531</b>	<b>35,520,948</b>	<b>(46,774,141)</b>
Support services:				
Student	8,229,701	-	-	(8,229,701)
Instructional staff	7,778,749	-	-	(7,778,749)
General administration	1,119,050	-	-	(1,119,050)
School administration	7,283,149	-	-	(7,283,149)
Business	21,210,740	-	1,920,127	(19,290,613)
Community services	707,230	314,375	1,775,672	1,382,817
Ice arena	231,893	187,024	-	(44,869)
Food service	4,555,407	706,660	5,500,105	1,651,358
Athletics	1,708,145	72,519	-	(1,635,626)
Other	2,972,321	-	-	(2,972,321)
Interest on long-term debt	559,948	-	-	(559,948)
Unallocated depreciation	8,434,009	-	-	(8,434,009)
<b>Total support services</b>	<b>64,790,342</b>	<b>1,280,578</b>	<b>9,195,904</b>	<b>(54,313,860)</b>
<b>Total School District</b>	<b>\$ 147,427,962</b>	<b>\$ 1,623,109</b>	<b>\$ 44,716,852</b>	<b>(101,088,001)</b>
<b>General Revenues</b>				
Property taxes levied for general purposes				18,747,720
Property taxes levied for debt service				9,776,177
Property taxes levied for capital projects				3,546,769
Unrestricted state aid				51,212,219
Investment earnings				288,321
Other				696,587
<b>Total General Revenues</b>				<b>84,267,793</b>
<b>Change in Net Position (Deficit)</b>				<b>(16,820,208)</b>
<b>Net Position (Deficit), beginning of year</b>				<b>(63,489,616)</b>
<b>Net Position (Deficit), end of year</b>				<b>\$ (80,309,824)</b>

*See accompanying notes to financial statements*

**Fund Financial Statements**

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**Kentwood Public Schools  
Kentwood, Michigan**

**Governmental Funds  
Balance Sheet**

<i>June 30, 2020</i>	General	2016 Building and Site Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and deposits (Note 3)	\$ 3,062,157	\$ 432,492	\$ 3,181,603	\$ 6,676,252
Investments (Note 3)	7,648,883	-	-	7,648,883
Restricted investments (Note 3)	-	17,131,965	-	17,131,965
Accounts receivable	13,681	-	-	13,681
Due from other funds (Note 4)	196	-	3,000	3,196
Due from other governmental units	13,349,531	-	701,812	14,051,343
Prepaid items	314,318	-	-	314,318
Inventories	-	-	28,134	28,134
<b>Total Assets</b>	<b>\$ 24,388,766</b>	<b>\$ 17,564,457</b>	<b>\$ 3,914,549</b>	<b>\$ 45,867,772</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 1,094,871	\$ 2,386,236	\$ 50,900	\$ 3,532,007
Salaries payable	5,955,994	-	31,270	5,987,264
Accrued employee benefits	4,531,465	-	3,701	4,535,166
Due to other funds (Note 4)	3,000	-	196	3,196
Due to other governmental units	519,008	-	-	519,008
Unearned revenue	377,866	-	-	377,866
<b>Total Liabilities</b>	<b>12,482,204</b>	<b>2,386,236</b>	<b>86,067</b>	<b>14,954,507</b>
<b>Fund Balances</b>				
Nonspendable:				
Prepaid items	314,318	-	-	314,318
Inventories	-	-	28,134	28,134
Restricted for:				
Food service	-	-	1,830,701	1,830,701
Debt retirement	-	-	1,222,981	1,222,981
Capital projects	-	15,178,221	748,885	15,927,106
Unassigned (deficit)	11,592,244	-	(2,219)	11,590,025
<b>Total Fund Balances</b>	<b>11,906,562</b>	<b>15,178,221</b>	<b>3,828,482</b>	<b>30,913,265</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 24,388,766</b>	<b>\$ 17,564,457</b>	<b>\$ 3,914,549</b>	<b>\$ 45,867,772</b>

*See accompanying notes to financial statements.*

**Kentwood Public Schools  
Kentwood, Michigan**

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

*June 30, 2020*

Total fund balances - total governmental funds (from Page 21) \$ 30,913,265

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

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

These net capital assets consist of:

Capital assets, at cost	\$ 286,929,699
Accumulated depreciation	<u>(108,617,210)</u>

Net capital assets 178,312,489

Deferred outflows of resources represent costs applicable to future periods and, therefore, are not reported in the funds.

Deferred charge on refunding	290,483
Pension-related items	54,629,895
OPEB-related items	<u>13,478,722</u>

68,399,100

Long-term liabilities, are not due and payable in the current period and, therefore, are not reported in the funds.

Balances are as follows:

Bonds payable	(72,995,000)
Compensated absences	(2,050,180)
Bond premium, net	(7,834,413)
Accrued interest on bonds	(482,325)
Net pension liability	(198,934,485)
Net OPEB liability	<u>(44,083,021)</u>

Total long-term liabilities (326,379,424)

Deferred inflows of resources represent resources or benefits applicable to future periods and, therefore, are not reported in the funds.

Pension-related items	(14,445,246)
OPEB-related items	<u>(17,110,008)</u>

(31,555,254)

**Net Position of Governmental Activities (from Page 18) \$ (80,309,824)**

*See accompanying notes to financial statements.*

**Kentwood Public Schools  
Kentwood, Michigan**

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

<i>Year ended June 30, 2020</i>	General	2016 Building and Site Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Local sources:				
Property taxes	\$ 18,747,720	\$ -	\$ 13,322,946	\$ 32,070,666
Penalties and interest	17,075	-	10,377	27,452
Tuition	49,800	-	-	49,800
Transportation fees	292,731	-	-	292,731
Earnings on investments	81,222	204,821	2,278	288,321
Food service	-	-	706,660	706,660
Ice arena	-	-	187,023	187,023
Student activities	202,973	-	-	202,973
Community service	314,375	-	-	314,375
Other local revenue	456,592	-	-	456,592
State sources:				
Restricted grants	19,638,378	-	343,904	19,982,282
Unrestricted state aid	51,469,570	-	-	51,469,570
Federal sources	7,518,878	-	5,298,579	12,817,457
Other revenue	11,961,482	-	-	11,961,482
<b>Total Revenues</b>	<b>110,750,796</b>	<b>204,821</b>	<b>19,871,767</b>	<b>130,827,384</b>
<b>Expenditures</b>				
Current:				
Instruction:				
Basic programs	53,963,042	-	-	53,963,042
Added needs	14,595,770	-	-	14,595,770
Support services:				
Student	7,506,194	-	-	7,506,194
Instructional staff	6,814,957	-	-	6,814,957
General administration	1,029,535	-	-	1,029,535
School administration	6,022,191	-	-	6,022,191
Business	19,933,061	-	-	19,933,061
Community services	637,876	-	-	637,876
Food service	-	-	4,555,407	4,555,407
Athletics	1,447,800	-	-	1,447,800
Ice arena	-	-	231,893	231,893
Other	-	1,457,199	499,234	1,956,433
Capital outlay	-	9,752,358	3,845,065	13,597,423
Debt service:				
Principal retirement	-	-	6,845,000	6,845,000
Interest and other charges	-	-	3,241,130	3,241,130
<b>Total Expenditures</b>	<b>111,950,426</b>	<b>11,209,557</b>	<b>19,217,729</b>	<b>142,377,712</b>

**Kentwood Public Schools  
Kentwood, Michigan**

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

<i>Year ended June 30, 2020</i>	General	Building and Site Fund	Governmental Funds	Governmental Funds
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	\$ (1,199,630)	\$ (11,004,736)	\$ 654,038	\$ (11,550,328)
<b>Other Financing Sources (Uses)</b>				
Transfers in (Note 4)	345,000	-	2,000	347,000
Premium on bonds	-	1,073,183	-	1,073,183
Sale of capital assets	37,721	-	-	37,721
Bonds issued	-	8,925,000	-	8,925,000
Transfers out (Note 4)	(2,000)	-	(345,000)	(347,000)
<b>Total Other Financing Sources (Uses)</b>	380,721	9,998,183	(343,000)	10,035,904
<b>Net Change in Fund Balances</b>	(818,909)	(1,006,553)	311,038	(1,514,424)
<b>Fund Balances, beginning of year</b>	12,725,471	16,184,774	3,517,444	32,427,689
<b>Fund Balances, end of year</b>	\$ 11,906,562	\$ 15,178,221	\$ 3,828,482	\$ 30,913,265

*See accompanying notes to financial statements.*

## Kentwood Public Schools Kentwood, Michigan

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

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*Year ended June 30, 2020*

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Changes in fund balances - total governmental funds (from Page 24) \$ (1,514,424)

Amounts reported for governmental activities in the Statement of Activities are different because:  
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation.

Capital outlay	\$ 14,169,923
Depreciation expense	(8,434,009)
Loss on capital assets disposed of	<u>(274,652)</u>

Net effect of capital asset activity 5,461,262

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

Principal payments	6,845,000
Bonds issued	(8,925,000)
Premium on bonds issued	<u>(1,073,183)</u>
	(3,153,183)

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

Amortization of deferred charge on refunding	(102,523)
Amortization of bond premium	2,231,322
Accrued interest	552,383
Compensated absences	(119,339)
Pension expense	(20,727,360)
OPEB expense	809,005
State aid funding for pension	<u>(257,351)</u>
	<u>(17,613,863)</u>

**Change in Net Position of Governmental Activities (from Page 19) \$ (16,820,208)**

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*See accompanying notes to financial statements.*

**Kentwood Public Schools  
Kentwood, Michigan**

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

<i>Year ended June 30, 2020</i>	Original Budget	Final Budget	2020 Actual	Variance With Final Budget Positive (Negative)
<b>Revenues</b>				
Local sources:				
Property taxes	\$ 18,530,650	\$ 18,904,316	\$ 18,747,720	\$ (156,596)
Penalties and interest	12,000	7,500	17,075	9,575
Tuition	64,229	42,780	49,800	7,020
Transportation fees	386,360	220,520	292,731	72,211
Earnings on investments	110,000	75,000	81,222	6,222
Student activities	273,000	196,400	202,973	6,573
Community service	336,100	285,900	314,375	28,475
Other local revenue	367,900	380,497	456,592	76,095
State sources:				
Restricted grants	8,403,444	19,675,307	19,638,378	(36,929)
Unrestricted school aid	61,002,180	53,003,547	51,469,570	(1,533,977)
Federal sources	8,699,653	8,765,240	7,518,878	(1,246,362)
Other revenue	11,834,960	11,973,907	11,961,482	(12,425)
<b>Total Revenues</b>	<b>110,020,476</b>	<b>113,530,914</b>	<b>110,750,796</b>	<b>(2,780,118)</b>
<b>Expenditures</b>				
Current:				
Instruction:				
Basic programs	53,553,420	54,625,505	53,963,042	662,463
Added needs	14,736,977	15,176,156	14,595,770	580,386
Support services:				
Student	6,724,840	7,563,237	7,506,194	57,043
Instructional staff	5,926,488	6,267,844	6,814,957	(547,113)
General administration	1,170,613	1,009,054	1,029,535	(20,481)
School administration	5,888,853	5,980,996	6,022,191	(41,195)
Business	19,705,863	20,592,305	19,933,061	659,244
Community services	765,492	713,030	637,876	75,154
Athletics	1,566,773	1,492,423	1,447,800	44,623
<b>Total Expenditures</b>	<b>110,039,319</b>	<b>113,420,550</b>	<b>111,950,426</b>	<b>1,470,124</b>

**Kentwood Public Schools  
Kentwood, Michigan**

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

<i>Year ended June 30, 2020</i>	Original Budget	Final Budget	2020 Actual	Variance With Final Budget Positive (Negative)
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	\$ (18,843)	\$ 110,364	\$ (1,199,630)	\$ (1,309,994)
<b>Other Financing Sources (Uses)</b>				
Transfers in	255,000	345,000	345,000	-
Sale of capital assets	10,000	57,000	37,721	(19,279)
Transfers out	(476,429)	(492,785)	(2,000)	490,785
<b>Total Other Financing Sources</b>	(211,429)	(90,785)	380,721	471,506
<b>Net Change in Fund Balance</b>	(230,272)	19,579	(818,909)	(838,488)
<b>Fund Balance, beginning of year</b>	12,725,471	12,725,471	12,725,471	-
<b>Fund Balance, end of year</b>	\$ 12,495,199	\$ 12,745,050	\$ 11,906,562	\$ (838,488)

*See accompanying notes to financial statements.*

**Kentwood Public Schools  
Kentwood, Michigan**

**Fiduciary Funds  
Statement of Fiduciary Assets and Liabilities**

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<i>June 30, 2020</i>	Agency Funds
<hr/>	
<b>Assets</b>	
Cash and deposits (Note 3)	\$ 550,843
Accounts receivable	1,275
<hr/>	
<b>Total Assets</b>	<b>\$ 552,118</b>
<hr/>	
<b>Liabilities</b>	
Accounts payable	\$ 4,422
Due to affiliated organizations	547,696
<hr/>	
<b>Total Liabilities</b>	<b>\$ 552,118</b>

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*See accompanying notes to financial statements.*

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## Notes to Financial Statements

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# Kentwood Public Schools Kentwood, Michigan

## Notes to Financial Statements

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### 1. Summary of Significant Accounting Policies

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

#### ***Reporting Entity***

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

#### ***Basis of Presentation***

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

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

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

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

#### ***Governmental Funds***

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

# Kentwood Public Schools Kentwood, Michigan

## Notes to Financial Statements

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### Major Funds

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

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

### Nonmajor Funds

*Special Revenue Funds* - used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The District operates two special revenue funds; Food Service and Ice Arena Funds. Revenue in the Food Service fund is generated from the sale of meals to pupils and staff, as well as state and federal aid. Revenue in the Ice Arena fund is generated from rental fees for use of the Ice Arena facilities.

*Debt Retirement Funds* - used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. The District operates three debt retirement funds; 2012 Debt, 2016 Debt, and 2019 Debt Funds.

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

### Fiduciary Fund

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

### Measurement Focus and Basis of Accounting

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

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

*Governmental fund financial statements* are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough after to pay liabilities for the current period.

# Kentwood Public Schools Kentwood, Michigan

## Notes to Financial Statements

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The District considers revenues available if collected within 90 days after year-end except for property taxes which must be collected within 60 days.

Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences, pension, other post-employment benefits, and claims and judgments are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt are reported as other financing sources.

### ***State Foundation Revenue***

The State of Michigan provides funds through a foundation grant approach, which provides for a specific annual amount of revenue per student based on 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. For the year ended June 30, 2020, the foundation allowance was based on the blended average of student membership counts taken in February 2019 and October 2019.

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

### ***State Categorical Revenue***

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

### ***Federal Revenue***

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

### ***Cash and Cash Equivalents***

The District's cash and cash equivalents are considered to be cash on hand and demand deposits which include savings and checking accounts.

### ***Due From Other Governmental Units***

Due from Other Governmental Units generally consist of amounts due from the State of Michigan for State aid payments and amounts due from grantors for expenditures incurred under reimbursement-based grants. Management has estimated that any uncollectible receivables will be immaterial and, as such, no allowance for doubtful accounts has been recorded.

**Kentwood Public Schools  
Kentwood, Michigan**

**Notes to Financial Statements**

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***Investments***

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

***Restricted Investments***

Restricted investments consist of unspent proceeds from the 2019 and 2020 bond issue, which pursuant to the bond documents, must be spent for the purpose of capital construction projects.

***Inventories and Prepaid Items***

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

***Capital Assets***

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

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

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

<i>Asset category</i>	Useful Life in Years
Building and improvements	20 - 50
Machinery, vehicles, furniture and equipment	5 - 15

The District reviews the carrying value of their capital assets to determine if circumstances exist indicating impairment. If facts or circumstances support the possibility of impairment, management follows the guidance in GASB Statement No. 42 (GASB No. 42), *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. If impairment is indicated, an adjustment is made to the carrying value of the capital assets. No impairments were reported during the 2020 fiscal year.

# Kentwood Public Schools Kentwood, Michigan

## Notes to Financial Statements

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### ***Defined Benefit Plans***

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

### ***Deferred Outflows/Inflows of Resources***

*Deferred Outflows* - In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The District has three items that qualify for reporting in this category. They are the deferred charge on refunding, pension related items and other postemployment benefit related items reported in the District-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. A deferred outflow is recognized for pension 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 reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has three items that qualify for reporting in this category. They are restricted section 147c state aid, pension related items and other postemployment benefit related items reported in the District-wide Statement of Net Position. The restricted section 147c state aid is recorded as a deferred inflow of resources to offset the deferred outflows of resources related to section 147c pension contributions subsequent to the measurement period. The pension and other postemployment benefits related items represent future resources arising from differences in the estimates used by the actuary to calculate the pension liability and other postemployment benefits liability and the actual results.

### ***Compensated Absences***

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

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

### ***Unearned Revenue***

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

# Kentwood Public Schools Kentwood, Michigan

## Notes to Financial Statements

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### ***Long-Term Obligations***

In the District-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are amortized using the effective interest rate method. Bonds payable are reported net of unamortized premiums or discounts. Bond issue costs are expensed.

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

### ***Net Position***

Net position represents the difference between assets, deferred outflows, liabilities and deferred inflows. Net position invested in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition or construction of those assets. Net position is reported as restricted when there are limitations imposed on its use either through legislation or through external restrictions imposed by creditors, grantors, laws or regulations from other governments. Unrestricted net position consists of the net position not meeting the definition of either of the other two components.

### ***Fund Balance***

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

*Non-spendable fund balance* - represents amounts that cannot be spent due to legal requirements or because it is not in spendable form. The District reports non-spendable fund balance for prepaid items and inventories.

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

*Unassigned fund balance* - the residual fund balance of the General Fund. Any deficit fund balances within other governmental fund types are reported as unassigned.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District's policy is to first apply restricted resources and then unassigned fund balance.

### ***Property Taxes***

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

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***Interfund Activity***

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

***Use of Estimates***

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses/expenditures during the reporting period. It is reasonably possible actual results could differ materially from those estimates and that a change in estimate may occur in the near term.

***Subsequent Events***

Management has evaluated subsequent events from July 1, 2020 through October 23, 2020, the date the financial statements were made available to be issued. Based on that evaluation, there were no matters identified that had a significant impact on the financial statements as presented.

**2. Stewardship, Compliance, and Accountability**

***Budgetary Information***

Annual budgets are adopted on a basis consistent with GAAP and state law. The funds of the District are subject to state budgetary accounting controls and all budgets are adopted annually, prior to the beginning of the fiscal year. Periodic budget revisions to funds occur during the fiscal year as needed. All annual appropriations lapse at year-end.

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

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

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

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

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

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The budget document presents information by fund, function, and activity. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the activity level. Expenditures in excess of amounts budgeted are a violation of Michigan law.

***Excess of Expenditures Over Budget***

During the year ended June 30, 2020, the District incurred expenditures which were in excess of the amounts budgeted in the General Fund as follows:

<i>June 30, 2020</i>	Budget	Actual	Variance
Support services - instructional staff	\$ 6,267,844	\$ 6,814,957	\$ (547,113)
Support services - general administration	1,009,054	1,029,535	(20,481)
Support services - school administration	5,980,996	6,022,191	(41,195)

***Fund Deficit***

The Ice Arena special revenue fund reported an unassigned deficit fund balance of \$2,219 at June 30, 2020.

**3. Cash, Deposits and Investments**

***Cash and Deposits***

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

***Custodial Credit Risk Related to Deposits***

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits might not be recovered. The District does not have a deposit policy for mitigating custodial credit risk. At June 30, 2020, the District's bank balances were \$7,459,020, of which \$7,209,020 was uninsured and collateralized.

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

A reconciliation of deposits to cash and cash equivalents as shown on the fund and the District-wide financial statements at June 30, 2020, is as follows:

<i>June 30, 2020</i>		
Carrying amount of deposits	\$	7,202,222
Cash on hand		24,873
Less cash of Fiduciary Funds		(550,843)
	\$	6,676,252

**Kentwood Public Schools  
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***Investments***

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

The District had the following investments:

<i>June 30, 2020</i>	Maturity	Standard & Poor's Rating	Fair Value
MILAF External Investment Pool - MICMS	Less than one year	AAAm	\$ 9,963,853
MILAF External Investment Pool - MIMAX	Less than one year	AAAm	14,816,995
<b>Total</b>			<b>\$ 24,780,848</b>

Investments are presented in the Statement of Net Position as follows:

<i>June 30, 2020</i>	
Investments	\$ 7,648,883
Restricted investments	17,131,965
<b>Total</b>	<b>\$ 24,780,848</b>

The Michigan Liquid Asset Fund (MILAF) is an external pooled investment fund that includes qualified investments in accordance with the applicable sections of the School Code. MILAF is not regulated or registered with the Securities Exchange Commission and reports the value of the pool shares at amortized cost, which approximates fair value of the District's investments at June 30, 2020.

There are no limitations or restrictions on participant withdrawals for the investment pools that are recorded except for a one-day minimum investment period on MILF MICMS funds and a 14-day redemption limitation on MILAF MIMAX Funds.

***Interest Rate Risk***

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The District's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270 day maturity. The District minimizes interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market, and investing operating funds primarily in shorter-term investments.

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***Custodial Credit Risk Related to Investments***

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments that are in the possession of an outside party. At June 30, 2020, the District had no investments that were subject to custodial credit risk.

***Credit Risk***

Credit risk is the risk that an issuer or other counter-party to an investment will not fulfill its obligations. State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The District has no policy that would further limit its investment choices in excess of state law on investment credit risk. The ratings for each investment are identified above for significant investments held at year-end.

**4. Interfund Receivables and Payables and Transfers**

Interfund receivables and payables at June 30, 2020, consisted of the following:

<i>Fund</i>	Interfund Receivables	Interfund Payables
General Fund	\$ 196	\$ 3,000
Nonmajor Governmental Funds	3,000	196
	<b>\$ 3,196</b>	<b>\$ 3,196</b>

The District reports interfund balances between many of its funds. The sum of all balances presented in the table above agrees with the sum of interfund balances presented in the balance sheet for the governmental funds. These interfund balances resulted primarily 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. All balances are expected to be collected within one year.

The Food Service Fund annually transfers funds to the General Fund for indirect costs. The General Fund transferred funds to the Ice Arena Fund for operations. Interfund transfers during the year ended June 30, 2020, were as follows:

<i>Fund</i>	Transfers to Other Funds	Transfers From Other Funds
General Fund	\$ 2,000	\$ 345,000
Nonmajor Governmental Funds	345,000	2,000
	<b>\$ 347,000</b>	<b>\$ 347,000</b>

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**5. Capital Assets**

The following summarizes capital asset activity:

	Balance July 1, 2019	Additions	Transfers	Deletions	Balance June 30, 2020
Capital assets not depreciated:					
Land and improvements	\$ 5,329,601	\$ 176,705	\$ (2,075,542)	\$ -	\$ 3,430,764
Construction in progress	7,363,813	6,842,312	(5,279,598)	-	8,926,527
<b>Total capital assets not depreciated</b>	<b>12,693,414</b>	<b>7,019,017</b>	<b>(7,355,140)</b>	<b>-</b>	<b>12,357,291</b>
Capital assets being depreciated:					
Buildings and improvements	232,955,818	5,258,438	8,674,759	193,664	246,695,351
Machinery, furniture, and equipment	24,773,159	1,804,842	(1,306,619)	1,762,419	23,508,963
Vehicles	4,513,951	87,626	(13,000)	220,483	4,368,094
<b>Total capital assets being depreciated</b>	<b>262,242,928</b>	<b>7,150,906</b>	<b>7,355,140</b>	<b>2,176,566</b>	<b>274,572,408</b>
Less accumulated depreciation for:					
Buildings and improvements	89,591,156	6,031,135	-	25,774	95,596,517
Machinery, furniture, and equipment	9,820,708	2,081,151	(2,856)	1,655,657	10,243,346
Vehicles	2,673,251	321,723	2,856	220,483	2,777,347
<b>Total accumulated depreciation</b>	<b>102,085,115</b>	<b>8,434,009</b>	<b>-</b>	<b>1,901,914</b>	<b>108,617,210</b>
<b>Total capital assets being depreciated, net</b>	<b>160,157,813</b>	<b>(1,283,103)</b>	<b>7,355,140</b>	<b>274,652</b>	<b>165,955,198</b>
<b>Net Capital Assets</b>	<b>\$172,851,227</b>	<b>\$ 5,735,914</b>	<b>\$ -</b>	<b>\$ 274,652</b>	<b>\$ 178,312,489</b>

Depreciation for the year ended June 30, 2020, was \$8,434,009. The District determined that it was impractical to allocate depreciation to various governmental activities as the assets serve multiple functions.

Estimated costs to complete the construction in progress are approximately \$7,200,000 as of June 30, 2020.

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**6. Employee Retirement System - Pension Plan and Other Post-Retirement Benefits**

*Plan Description*

The Michigan Public School Employees' Retirement System (MPERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this Act establishes the Board's authority to promulgate or amend the provisions of the System. The MPERS provides retirement, survivor, and disability benefits to public school employees. In addition, the MPERS health plan provides all retirees with the option of receiving health, prescription drug, dental and vision coverage. MPERS issues a publicly available Comprehensive Annual Financial Report that can be obtained at <http://www.michigan.gov/orsschools/0,4653,7-206-36585---,00.html>.

**Pension Plan**

*Benefits Provided*

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

*Pension Reform 2010*

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

*Pension Reform 2012*

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

*Pension Reform 2017*

On July 13, 2017, the Governor signed Public Act 92 of 2017 into law. The legislation closes the current hybrid plan (Pension Plus) to newly hired employees as of February 1, 2018 and created a new optional revised hybrid plan with similar plan benefit calculations but containing a 50/50 cost

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## Notes to Financial Statements

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share between the employee and the employer, including the cost of future unfunded liabilities. The assumed rate of return on the new hybrid plan is 6%. Further, the law provides that, under certain conditions, the new hybrid plan would close to new employees if the actuarial funded ratio falls below 85% for two consecutive years. The law includes other provisions to the retirement eligibility age, plan assumptions, and unfunded liability payment methods.

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

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

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

### ***Pension Plus***

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

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

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

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

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

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

### ***Member Contributions***

Depending on the plan selected, member contributions range from 0% - 7% for pension.

### ***Employer Contributions***

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

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The District's pension contributions for the year ended June 30, 2020, were equal to the required contribution total. Pension contributions were \$17,265,237 for the Defined Benefit Plan. These amounts include section 147c contributions.

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

*Pension Liabilities*

At June 30, 2020, the District reported a liability of \$198,934,485 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2018, and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating Districts, actuarially determined. At September 30, 2019, the District's proportion was 0.60071%, which was an increase of 0.01734% from the prior year proportion.

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

For the year ended June 30, 2020, the District recognized pension expense of \$31,214,307. At June 30, 2020, the District 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
Difference between expected and actual experience	\$ 891,688	\$ (829,538)
Net difference between projected and actual earnings on pension plan investments	-	(6,375,512)
Changes in pension actuarial assumptions	38,951,512	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	4,567,686	(461,906)
District's contributions subsequent to the measurement date	10,219,009	-
State aid funding for pension	-	(6,778,290)
<b>Total</b>	<b>\$ 54,629,895</b>	<b>\$ (14,445,246)</b>

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\$10,219,009 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. \$6,778,290 reported as deferred inflows of resources related to section 147c pension contributions received from the State of Michigan subsequent to the measurement date will be recognized as state revenue 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,*

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2021	\$ 14,495,027
2022	11,402,675
2023	7,692,760
2024	3,153,468
	<hr/>
	\$ 36,743,930

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**Other Postemployment Benefits**

***Benefits***

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. MPSERS 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 MPSERS with the balance deducted from the monthly pension of each retiree health care recipient. For members who first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP-Graded plan members), the subsidy is the maximum allowed by statute. To limit future liabilities of Other Postemployment Benefits, members who first worked on or after July 1, 2008, (MIP-Plus plan members), have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012, sets the maximum subsidy at 80% beginning January 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date.

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

***Retiree Healthcare Reform of 2012***

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

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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 were deposited into their 401(k) accounts.

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

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

### ***Member Contributions***

Depending on the plan selected, member contributions range from 0% - 3% for other postemployment benefits.

### ***Employer Contributions***

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of members and retiree Other Postemployment Benefits (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 portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis.

The District's OPEB contributions for the year ended June 30, 2020, were equal the required contribution total. OPEB contributions were \$4,804,606.

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

#### ***OPEB Liabilities***

At June 30, 2020, the District reported a liability of \$44,083,021 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of September 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation date of September 30, 2018, and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net OPEB liability was based on a projection of its long-term share of

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contributions to the OPEB plan relative to the projected contributions of all participating Districts, actuarially determined. At September 30, 2019, the District's proportion was 0.61416%, which was an increase of 0.02462% from the prior year proportion.

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

For the year ended June 30, 2020, the District recognized OPEB expense of \$3,995,601. At June 30, 2020, the District 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
Difference between expected and actual experience	\$ -	\$ (16,175,307)
Net difference between projected and actual earnings on OPEB plan investments	-	(766,625)
Changes in OPEB actuarial assumptions	9,551,898	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,427,564	(168,076)
District's contributions subsequent to the measurement date	1,499,260	-
<b>Total</b>	<b>\$ 13,478,722</b>	<b>\$ (17,110,008)</b>

\$1,449,260, reported as deferred outflows of resources related to OPEB resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year.

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

*Year ending June 30,*

2021		\$ (1,539,040)
2022		(1,539,040)
2023		(1,156,359)
2024		(618,615)
2025		(277,492)
		<b>\$ (5,130,546)</b>

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***Actuarial Assumptions***

The total pension liability and total OPEB liability as of September 30, 2019 is based on the results of an actuarial valuation date of September 30, 2018 and rolled forward using generally accepted actuarial procedures. The total pension and OPEB liability was determined using the following assumptions:

*Investment rate of return for pension* - 6.8% a year, compounded annually net of investment and administrative expenses for the Non-Hybrid groups and for the Hybrid group (Pension Plus plan), and 6.0% a year, compounded annually net of investment and administrative expenses for the Hybrid group (Pension Plus 2 plan).

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

*Salary increases* - 2.75% - 11.55%, including wage inflation at 2.75%

*Inflation* - 2.75%

*Mortality assumptions* -

Retirees: RP-2014 Male and Female Healthy Annuitant Mortality Tables scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.

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

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

*Experience study* - The annual actuarial valuation report of the System used for these statements is dated September 30, 2019. Assumption changes as a result of an experience study for the periods 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2017 valuation.

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

*Healthcare cost trend rate for other postemployment benefit* - 7.5% for year one and graded to 3.5% to year 12.

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

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

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

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

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***Long-Term Expected Rate of Return***

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

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

<i>Investment Category</i>	Target Allocation*	Long-Term Expected Real Rate of Return*
Domestic Equity Pools	28.00%	5.50%
Private Equity Pools	18.00%	8.60%
International Equity Pools	16.00%	7.30%
Fixed Income Pools	10.50%	1.20%
Real Estate and Infrastructure Pools	10.00%	4.20%
Absolute Return Pools	15.50%	5.40%
Short-Term Investment Pools	2.00%	0.80%
<b>Total</b>	<b>100.0%</b>	

\* Long-term rate of return does not include 2.3% inflation.

**Pension Discount rate** - The discount rate used to measure the total pension liability was 6.8% (6.0% for Pension Plus 2 Plan). The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from school districts will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate used in the September 30, 2017 valuation was 7.05% (7.0% for the Pension Plan Plus Plan and 6.0% for Pension Plus 2 Plan).

**OPEB Discount rate** - The discount rate of 6.95% was used to measure the total OPEB liability. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that school districts contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The discount rate used in the September 30, 2017 valuation was 7.15%.

**Kentwood Public Schools  
Kentwood, Michigan**

**Notes to Financial Statements**

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.8% (6.0% for Pension Plus 2 Plan), as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Lower (5.00-5.80%)	Discount Rate (6.00-6.80%)	1% Higher (7.00-7.80%)
District's proportionate share of the net pension liability	\$ 258,627,557	\$ 198,934,485	\$ 149,446,872

***Sensitivity of the Net OPEB Liability to Changes in the Discount Rate***

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

	1% Lower (5.95%)	Discount Rate (6.95%)	1% Higher (7.95%)
District's proportionate share of the net other postemployment benefits liability	\$ 54,074,449	\$ 44,083,021	\$ 35,692,996

***Sensitivity of the Net OPEB Liability to Healthcare Cost Trend Rate***

The following presents the District's proportionate share of the net OPEB liability calculated using the assumed healthcare trend rates, as well as what the District's proportionate share of the net OPEB Liability would be if it were calculated using a healthcare trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Lower	Current Healthcare Cost Trend Rate	1% Higher
District's proportionate share of the net other postemployment benefits liability	\$ 35,337,295	\$ 44,083,021	\$ 54,073,264

***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 Comprehensive Annual Financial Report.

**Kentwood Public Schools  
Kentwood, Michigan**

**Notes to Financial Statements**

***Payable to the Pension and OPEB Plan***

At year end the School District was 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 employee benefits. These amounts represent current payments for June paid in July, accruals for summer pay primarily for teachers and the contributions due funded from state revenue section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate.

**7. General Long-Term Debt**

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

	Balance June 30, 2019	Additions	Deletions	Balance June 30, 2020	Due Within One Year
Bonds payable	\$ 70,915,000	\$ 8,925,000	\$ 6,845,000	\$ 72,995,000	\$ 6,970,000
Premium on bonds	8,992,552	1,073,183	2,231,322	7,834,413	887,869
Compensated absences	1,930,841	305,055	185,716	2,050,180	185,716
<b>General Long-Term Debt</b>	<b>\$ 81,838,393</b>	<b>\$ 10,303,238</b>	<b>\$ 9,262,038</b>	<b>\$ 82,879,593</b>	<b>\$ 8,043,585</b>

For the governmental activities, compensated absences are generally liquidated by the General Fund.

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

<i>June 30, 2020</i>	Principal Outstanding	Remaining Interest Requirements
2012 Refunding Bonds, \$55,780,000, due in annual installments of \$6,185,000 to \$6,410,000 through May 1, 2023, interest at 4.00%.	\$ 18,920,000	\$ 1,522,600
2016 School Building and Site Bonds, \$29,935,000, due in annual installments of \$820,000 to \$1,205,000 through May 1, 2044, interest at 2.00% to 5.00%.	27,810,000	17,895,500
2019 School Building and Site Bonds, \$17,340,000, due in annual installments of \$1,055,000 to \$1,450,000 through May 1, 2036, interest at 4.00% to 5.00%.	17,340,000	8,506,600
2020 School Building and Site Bonds, \$8,925,000, due in annual installments of \$215,000 to \$675,000 through May 1, 2044, interest at 3.00% to 4.00%.	8,925,000	3,617,269
	<b>\$ 72,995,000</b>	<b>\$ 31,541,969</b>

**Kentwood Public Schools  
Kentwood, Michigan**

**Notes to Financial Statements**

***Debt Service Requirements***

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

<i>Year ending June 30,</i>	Principal	Interest	Total
2021	\$ 6,970,000	\$ 3,152,969	\$ 10,122,969
2022	7,595,000	2,933,600	10,528,600
2023	8,000,000	2,646,200	10,646,200
2024	2,470,000	2,317,050	4,787,050
2025	2,580,000	2,206,250	4,786,250
2026-2030	14,405,000	9,215,350	23,620,350
2031-2035	15,180,000	5,760,750	20,940,750
2036-2040	9,415,000	2,590,300	12,005,300
2041-2045	6,380,000	719,500	7,099,500
	<b>\$ 72,995,000</b>	<b>\$ 31,541,969</b>	<b>\$ 104,536,969</b>

**8. Risk Management and Uncertainties**

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The District is a member of the West Michigan Risk Management Trust (the Trust), a self-insurance program with 27 districts pooling together to insure property, liability and auto exposures. Premiums from members of the Trust are arrived at through standard underwriting procedures. The members of the Trust have contributed amounts sufficient to fund individual and aggregate losses up to \$250,000 and \$1,314,050, respectively, on an annual basis. Excess insurance has been purchased to cover claims exceeding those amounts. A \$1,000 per occurrence deductible for property losses is maintained to place the responsibility for small charges with the members of the Trust.

The District is a member of the West Michigan Workers' Compensation Fund (the Fund), a self-insurance program with 16 districts pooling together to insure workers' compensation and employers' liability exposures. The Fund pays the first \$450,000 of any workers' compensation or employers' liability loss out of a \$1,528,055 loss fund collected from members. Excess insurance has been purchased to cover claims exceeding those amounts.

Health and life insurance is provided by private insurance carriers. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There were no significant reductions in insurance coverage during the year ended June 30, 2020.

***COVID-19***

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the COVID-19 outbreak) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. This led to the District moving to a virtual learning environment for the remainder of the school year ended June 30, 2020.

# Kentwood Public Schools Kentwood, Michigan

## Notes to Financial Statements

Management is actively monitoring the impact of the global situation on the education industry, financial condition, liquidity and operations. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the District is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2021. Although the District cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time, if the pandemic continues, it may have an adverse effect on results of future operations, financial position, and liquidity in fiscal year 2021 if state aid is reduced. The District's operations are heavily dependent on the State foundation allowance and property tax revenue.

### **CARES Act**

On March 7, 2020, President Trump signed into law the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The CARES Act, among other things, awarded the District \$1,765,414 of CARES Act revenue under the COVID-19 Unanticipated School Closures grant. The District continues to examine the impact that the CARES Act may have on its operations. Currently, the District is unable to determine the impact that the CARES Act will have on its financial condition, results of operations, or liquidity.

### **9. Property Tax Millage**

For the 2019-20 school year, a portion of the District's revenues was attributable to local property taxes. The taxable value, by taxing district, and tax levy for the year ended June 30, 2020, consist of the following:

<i>Taxing District</i>	Non-Homestead Taxable Value	Levy for General Operating*	Total Taxable Value	Levy for Debt Retirement (4.25 Mills)	Levy for Capital Projects (1.60 Mills)
City of Kentwood	\$ 863,521,414	\$ 13,705,376	\$ 1,517,107,883	\$ 6,447,709	\$ 2,427,373
Gaines Township	139,706,959	2,383,307	428,365,610	1,820,554	685,385
City of Grand Rapids	119,478,542	1,967,657	170,921,735	726,417	273,475
Byron Township	44,282,513	755,901	64,079,174	272,336	102,527
City of Wyoming	5,302,277	89,829	11,568,576	49,166	18,510
	<b>\$ 1,172,291,705</b>	<b>\$ 18,902,070</b>	<b>\$ 2,192,042,978</b>	<b>\$ 9,316,182</b>	<b>\$ 3,507,270</b>

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

### **10. Bond Compliance and Sinking Fund**

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

**Kentwood Public Schools  
Kentwood, Michigan**

**Notes to Financial Statements**

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**11. Contingencies**

In the normal course of its activities, the District becomes a party in various legal actions. Management has determined that the outcome of any such actions will not have a material effect on the financial position of the District.

The District participates in a number of federal and state programs that require compliance with specific terms and conditions and are subject to audits by the contracting agencies. Management believes that the effect of any disallowed expenditures would be immaterial to the financial statements.

**12. 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 as follows:

<i>Municipality</i>	Taxes Abated
City of Kentwood - debt	\$ 87,171
City of Kentwood - sinking	32,772
	\$ 119,943

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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.

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**Kentwood Public Schools  
Kentwood, Michigan**

**Notes to Financial Statements**

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**13. Net Investment in Capital Assets**

The composition of the District's net investment in capital assets as of June 30, 2020 is as follows:

*June 30, 2020*

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Capital assets	
Land, improvements and construction in process	\$ 12,357,291
Capital assets, net of accumulated depreciation	165,955,198
<hr/>	
Total capital assets	178,312,489
<hr/>	
Related debt	
Bonds payable	(72,995,000)
Bond premium	(7,834,413)
Unspent proceeds	17,131,965
Deferred charge on refunding	290,483
<hr/>	
Total related debt	(63,406,965)
<hr/>	
<b>Net Investment in Capital Assets</b>	<b>\$ 114,905,524</b>

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## Required Supplementary Information

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**Kentwood Public Schools  
Kentwood, Michigan**

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

	2019	2018	2017	2016	2015	2014
District's proportion of net pension liability (%)	0.60071%	0.58337%	0.57918%	0.57698%	0.56389%	0.54650%
District's proportionate share of net pension liability	\$ 198,934,485	\$ 175,372,314	\$ 150,089,535	\$ 143,952,353	\$ 137,730,274	\$ 120,373,886
District's covered payroll	\$ 50,766,669	\$ 50,501,562	\$ 49,217,270	\$ 48,654,867	\$ 48,444,603	\$ 47,521,054
District's proportionate share of net pension liability as a percentage of its covered payroll	391.86%	347.26%	304.95%	295.86%	284.30%	253.31%
Plan fiduciary net position as a percentage of total pension liability	60.31%	62.36%	64.21%	63.01%	62.92%	66.20%

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

**Kentwood Public Schools  
Kentwood, Michigan**

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

<i>June 30,</i>	2020	2019	2018	2017	2016	2015
Statutorily required contributions	\$ 17,265,237	\$ 15,810,822	\$ 14,671,500	\$ 13,202,172	\$ 12,250,610	\$ 10,372,633
Contributions in relation to statutorily required contributions	\$ 17,265,237	15,810,822	14,671,500	13,202,172	12,250,610	10,372,633
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 55,786,544	\$ 52,470,643	\$ 49,744,272	\$ 48,654,867	\$ 48,444,602	\$ 48,065,957
Contributions as a percentage of covered payroll	30.95%	30.13%	29.49%	27.13%	25.29%	21.58%

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

**Kentwood Public Schools  
Kentwood, Michigan**

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

	2019	2018	2017
District's proportion of net OPEB liability (%)	0.61416%	0.58954%	0.57900%
District's proportionate share of net OPEB liability	\$ 44,083,021	\$ 46,862,066	\$ 51,273,277
District's covered payroll	\$ 50,766,669	\$ 50,501,562	\$ 49,217,270
District's proportionate share of net OPEB liability as a percentage of its covered payroll	86.83%	92.79%	104.18%
Plan fiduciary net position as a percentage of total OPEB liability	48.46%	42.95%	36.39%

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

**Kentwood Public Schools  
Kentwood, Michigan**

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

<i>June 30,</i>	2020	2019	2018
Statutorily required contributions	\$ 4,804,606	\$ 4,432,249	\$ 4,057,564
Contributions in relation to statutorily required contributions	4,804,606	4,432,249	4,057,564
Contribution deficiency (excess)	\$ -	\$ -	\$ -
District's covered payroll	\$ 55,786,544	\$ 52,470,643	\$ 49,744,272
Contributions as a percentage of covered payroll	8.61%	8.45%	8.16%

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

**Kentwood Public Schools  
Kentwood, Michigan**

**Notes to Required Supplementary Information**

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**Pension Benefits**

***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 assumptions for each of the reported plan years ended September 30, except for the following:

2019 - The discount rate used in the September 30, 2018 Pension Plan actuarial valuation decreased by 0.25% (0.20% Pension Plus).

2018 - The discount rate used in September 30, 2017 Pension Plan actuarial valuation decreased by 0.45%.

2017 - The discount rate used in September 30, 2016 Pension Plan actuarial valuation decreased by 0.50%.

**Other Post-Employment Benefits**

***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 assumptions for each of the reported plan years ended September 30, except for the following:

2019 - The discount rate used in the September 30, 2018 actuarial valuation decreased by 0.20%

2018 - The discount rate used in the September 30, 2017 actuarial valuation decreased by 0.35%.

## Supplementary Information

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## General Fund

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**Kentwood Public Schools  
Kentwood, Michigan**

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

<i>Year ended June 30, 2020</i>	Final Budget	2020 Actual	Variance Positive (Negative)
<b>Revenues</b>			
Local sources:			
Property taxes	\$ 18,904,316	\$ 18,747,720	\$ (156,596)
Penalties and interest	7,500	17,075	9,575
Tuition	42,780	49,800	7,020
Transpiration fees	220,520	292,731	72,211
Earnings on investments	75,000	81,222	6,222
Student activities	196,400	202,973	6,573
Community Service	285,900	314,375	28,475
Other local revenue	380,497	456,592	76,095
<b>Total revenues from local sources</b>	<b>20,112,913</b>	<b>20,162,488</b>	<b>49,575</b>
State sources:			
Restricted state grants	19,675,307	19,638,378	(36,929)
Unrestricted state aid	53,003,547	51,469,570	(1,533,977)
<b>Total revenues from state sources</b>	<b>72,678,854</b>	<b>71,107,948</b>	<b>(1,570,906)</b>
Federal sources:			
IDEA	2,536,939	2,536,939	-
Title I, Title II, Title III, and Title IV	3,759,147	3,067,207	(691,940)
Twenty-First Century	1,975,000	1,775,672	(199,328)
Other grants	494,154	139,060	(355,094)
<b>Total revenues from federal sources</b>	<b>8,765,240</b>	<b>7,518,878</b>	<b>(1,246,362)</b>
Other revenue	11,973,907	11,961,482	(12,425)
<b>Total Revenues</b>	<b>113,530,914</b>	<b>110,750,796</b>	<b>(2,780,118)</b>
<b>Other Financing Sources (Uses)</b>			
Transfers in	345,000	345,000	-
Sale of capital assets	57,000	37,721	(19,279)
Transfers out	(492,785)	(2,000)	490,785
<b>Total Other Financing Sources</b>	<b>(90,785)</b>	<b>380,721</b>	<b>471,506</b>
<b>Total Revenues and Other Financing Sources</b>	<b>\$ 113,440,129</b>	<b>\$ 111,131,517</b>	<b>\$ (2,308,612)</b>

**Kentwood Public Schools  
Kentwood, Michigan**

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

<i>Year ended June 30, 2020</i>	Salaries	Benefits	Purchased Services	Supplies, Materials and Other Expenditures
<b>Expenditures</b>				
Instruction:				
Basic programs:				
Elementary	\$ 13,817,381	\$ 9,186,824	\$ 388,341	\$ 300,067
Middle school	7,851,057	5,134,846	178,095	204,275
Secondary	8,995,644	5,836,951	489,967	397,615
Driver education	7,528	4,999	-	3,569
Preschool	45,013	21,306	-	1,241
Summer School	291,974	138,282	2,373	516
<b>Total basic programs</b>	<b>31,008,597</b>	<b>20,323,208</b>	<b>1,058,776</b>	<b>907,283</b>
Added needs:				
Special education	6,480,969	4,262,388	79,945	384,358
Compensatory education	900,643	460,943	251,430	85,460
Vocational education - other	866,765	598,943	11,679	108,483
<b>Total added needs</b>	<b>8,248,377</b>	<b>5,322,274</b>	<b>343,054</b>	<b>578,301</b>
<b>Total instruction</b>	<b>39,256,974</b>	<b>25,645,482</b>	<b>1,401,830</b>	<b>1,485,584</b>
Support services				
Student:				
Guidance	1,213,794	816,645	2,627	3,485
Social	250,488	136,276	968	976,974
Speech pathology and audiology	99,851	57,750	451	1,283,463
Psychological	82,618	43,015	392,344	521,966
Health	258,897	193,298	68,173	336,692
Teacher consultants	86,180	59,204	999	620,036
<b>Total student</b>	<b>1,991,828</b>	<b>1,306,188</b>	<b>465,562</b>	<b>3,742,616</b>
Instructional staff:				
Supervision	1,228,286	820,253	135,556	27,907
Improvement of instruction	1,056,500	694,552	971,093	1,255,432
Library	351,579	220,690	690	52,419
<b>Total instructional staff</b>	<b>2,636,365</b>	<b>1,735,495</b>	<b>1,107,339</b>	<b>1,335,758</b>

**Kentwood Public Schools  
Kentwood, Michigan**

**General Fund**

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

Capital Outlay	2020 Total Actual Expenditures	Final Budget	Variance Positive (Negative)
\$ 52,723	\$ 23,745,336	\$ 24,194,257	\$ 448,921
87,982	13,456,255	13,710,654	254,399
524,473	16,244,650	16,068,917	(175,733)
-	16,096	19,321	3,225
-	67,560	73,552	5,992
-	433,145	558,804	125,659
665,178	53,963,042	54,625,505	662,463
1,835	11,209,495	11,246,532	37,037
-	1,698,476	2,367,857	669,381
101,929	1,687,799	1,561,767	(126,032)
103,764	14,595,770	15,176,156	580,386
768,942	68,558,812	69,801,661	1,242,849
-	2,036,551	2,006,769	(29,782)
-	1,364,706	1,479,060	114,354
-	1,441,515	1,422,042	(19,473)
-	1,039,943	1,058,404	18,461
-	857,060	814,270	(42,790)
-	766,419	782,692	16,273
-	7,506,194	7,563,237	57,043
-	2,212,002	2,080,046	(131,956)
-	3,977,577	3,571,698	(405,879)
-	625,378	616,100	(9,278)
-	6,814,957	6,267,844	(547,113)

**Kentwood Public Schools  
Kentwood, Michigan**

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

<i>Year ended June 30, 2020</i>	Salaries	Benefits	Purchased Services	Supplies, Materials and Other Expenditures
<b>Expenditures (Continued)</b>				
Support services (Continued):				
General administration:				
Executive administration	\$ 311,639	\$ 176,225	\$ 51,107	\$ 56,372
Board of education	9,931	2,563	396,969	24,729
<b>Total general administration</b>	<b>321,570</b>	<b>178,788</b>	<b>448,076</b>	<b>81,101</b>
<b>School administration</b>	<b>3,486,546</b>	<b>2,441,331</b>	<b>43,898</b>	<b>48,494</b>
Business:				
Operation and maintenance	2,973,026	2,136,971	3,637,022	360,720
Student transportation	1,177,946	871,902	260,789	3,252,216
Fiscal services	718,094	444,484	68,660	185,613
Information services	745,373	521,471	354,795	108,199
Security services	462,848	330,327	42,746	28,619
Personnel services	298,398	202,248	50,271	14,307
Support services	81,292	60,606	1,161	85
<b>Total business</b>	<b>6,456,977</b>	<b>4,568,009</b>	<b>4,415,444</b>	<b>3,949,759</b>
<b>Total support services</b>	<b>14,893,286</b>	<b>10,229,811</b>	<b>6,480,319</b>	<b>9,157,728</b>
<b>Community services</b>	<b>377,297</b>	<b>183,575</b>	<b>(351)</b>	<b>77,355</b>
<b>Athletics</b>	<b>726,742</b>	<b>380,696</b>	<b>77,281</b>	<b>256,281</b>
<b>Total Expenditures</b>	<b>\$ 55,254,299</b>	<b>\$ 36,439,564</b>	<b>\$ 7,959,079</b>	<b>\$ 10,976,948</b>

**Kentwood Public Schools  
Kentwood, Michigan**

**General Fund**

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

Capital Outlay	Total Actual Expenditures	Final Budget	Variance Positive (Negative)
\$ -	\$ 595,343	\$ 672,617	\$ 77,274
-	434,192	336,437	(97,755)
-	1,029,535	1,009,054	(20,481)
1,922	6,022,191	5,980,996	(41,195)
257,648	9,365,387	9,247,981	(117,406)
12,766	5,575,619	5,522,704	(52,915)
9,647	1,426,498	1,892,130	465,632
77,518	1,807,356	2,196,769	389,413
185,293	1,049,833	1,045,342	(4,491)
-	565,224	549,179	(16,045)
-	143,144	138,200	(4,944)
542,872	19,933,061	20,592,305	659,244
544,794	41,305,938	41,413,436	107,498
-	637,876	713,030	75,154
6,800	1,447,800	1,492,423	44,623
\$ 1,320,536	\$ 111,950,426	\$ 113,420,550	\$ 1,470,124

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## **Nonmajor Governmental Funds**

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**Kentwood Public Schools  
Kentwood, Michigan**

**Nonmajor Governmental Funds  
Combining Balance Sheet**

	Special Revenue	
<i>June 30, 2020</i>	Ice Arena	Food Service
<b>Assets</b>		
Cash and deposits	\$ 765	\$ 1,510,917
Due from other funds	2,000	1,000
Due from other governmental units	-	399,867
Inventories	3,624	24,510
<b>Total Assets</b>		
	\$ 6,389	\$ 1,936,294
<b>Liabilities and Fund Balances</b>		
<b>Liabilities</b>		
Accounts payable	\$ 4,610	\$ 46,290
Salaries payable	280	30,990
Accrued employee benefits	34	3,667
Due to other funds	60	136
<b>Total Liabilities</b>		
	4,984	81,083
<b>Fund Balances</b>		
Nonspendable:		
Inventories	3,624	24,510
Restricted for:		
Food service	-	1,830,701
Debt retirement	-	-
Capital projects	-	-
Unassigned (deficit)	(2,219)	-
<b>Total Fund Balances</b>		
	1,405	1,855,211
<b>Total Liabilities and Fund Balances</b>		
	\$ 6,389	\$ 1,936,294

**Kentwood Public Schools  
Kentwood, Michigan**

**Nonmajor Governmental Funds  
Combining Balance Sheet**

Debt Retirement			Capital Projects		
2012 Kentwood Bonds	2016 Kentwood Bonds	2019 Kentwood Bonds	2006 Building and Site		Total
\$ 746,686	\$ 203,423	\$ 53,405	\$ 666,407	\$	3,181,603
-	-	-	-		3,000
147,688	46,992	24,787	82,478		701,812
-	-	-	-		28,134
\$ 894,374	\$ 250,415	\$ 78,192	\$ 748,885	\$	3,914,549
\$ -	\$ -	\$ -	\$ -	\$	50,900
-	-	-	-		31,270
-	-	-	-		3,701
-	-	-	-		196
-	-	-	-		86,067
-	-	-	-		28,134
-	-	-	-		1,830,701
894,374	250,415	78,192	-		1,222,981
-	-	-	748,885		748,885
-	-	-	-		(2,219)
894,374	250,415	78,192	748,885		3,828,482
\$ 894,374	\$ 250,415	\$ 78,192	\$ 748,885	\$	3,914,549

**Kentwood Public Schools  
Kentwood, Michigan**

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

	Special Revenue	
	Ice Arena	Food Service
<i>Year ended June 30, 2020</i>		
<b>Revenues</b>		
Local sources:		
Property taxes	\$ -	\$ -
Penalties and interest	-	-
Earnings on investments	-	508
Food service	-	706,660
Ice arena	187,023	-
State sources	-	201,527
Federal sources	-	5,298,579
<b>Total Revenues</b>	<b>187,023</b>	<b>6,207,274</b>
<b>Expenditures</b>		
Current:		
Salaries	78,557	1,448,006
Employee benefits	52,639	941,169
Contracted services	8,365	-
Repairs	15,438	47,677
Utilities	34,721	-
Purchased merchandise	11,583	-
Supplies	7,255	98,095
Food purchases	7,252	1,918,857
Other	16,083	101,603
Capital outlay	-	816,856
Debt service:		
Principal retirement	-	-
Interest and other charges	-	-
<b>Total Expenditures</b>	<b>231,893</b>	<b>5,372,263</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(44,870)</b>	<b>835,011</b>
<b>Other Financing Sources (Uses)</b>		
Transfers in	2,000	-
Transfers out	-	(345,000)
<b>Total Other Financing Sources (Uses)</b>	<b>2,000</b>	<b>(345,000)</b>
<b>Net Change in Fund Balances</b>	<b>(42,870)</b>	<b>490,011</b>
<b>Fund Balances, beginning of year</b>	<b>44,275</b>	<b>1,365,200</b>
<b>Fund Balances, end of year</b>	<b>\$ 1,405</b>	<b>\$ 1,855,211</b>

**Kentwood Public Schools  
Kentwood, Michigan**

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

Debt Retirement			Capital Projects		
2012 Kentwood Bonds	2016 Kentwood Bonds	2019 Kentwood Bonds	2006 Building and Site	Total	
\$ 6,703,017	\$ 2,011,925	\$ 1,061,235	\$ 3,546,769	\$ 13,322,946	
6,983	2,222	1,172	-	10,377	
1,072	341	180	177	2,278	
-	-	-	-	706,660	
-	-	-	-	187,023	
-	-	-	142,377	343,904	
-	-	-	-	5,298,579	
<b>6,711,072</b>	<b>2,014,488</b>	<b>1,062,587</b>	<b>3,689,323</b>	<b>19,871,767</b>	
-	-	-	-	1,526,563	
-	-	-	-	993,808	
-	-	-	-	8,365	
-	-	-	-	63,115	
-	-	-	-	34,721	
-	-	-	-	11,583	
-	-	-	-	105,350	
-	-	-	-	1,926,109	
8,743	3,218	1,934	485,339	616,920	
-	-	-	3,028,209	3,845,065	
6,095,000	750,000	-	-	6,845,000	
886,319	1,372,350	982,461	-	3,241,130	
<b>6,990,062</b>	<b>2,125,568</b>	<b>984,395</b>	<b>3,513,548</b>	<b>19,217,729</b>	
(278,990)	(111,080)	78,192	175,775	654,038	
-	-	-	-	2,000	
-	-	-	-	(345,000)	
-	-	-	-	(343,000)	
(278,990)	(111,080)	78,192	175,775	311,038	
1,173,364	361,495	-	573,110	3,517,444	
<b>\$ 894,374</b>	<b>\$ 250,415</b>	<b>\$ 78,192</b>	<b>\$ 748,885</b>	<b>\$ 3,828,482</b>	

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## Agency Funds

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**Kentwood Public Schools  
Kentwood, Michigan**

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

<i>Student Activities Fund</i>	Balance, July 1, 2019	Additions	Deletions	Balance, June 30, 2020
<b>Assets</b>				
Cash and deposits	\$ 587,532	\$ 819,903	\$ 856,592	\$ 550,843
Accounts receivable	18,528	76,515	93,768	1,275
<b>Total Assets</b>	<b>\$ 606,060</b>	<b>\$ 896,418</b>	<b>\$ 950,360</b>	<b>\$ 552,118</b>
<b>Liabilities</b>				
Accounts payable	\$ 56,911	\$ 751,675	\$ 804,164	\$ 4,422
Due to affiliated organizations	549,149	1,298,711	1,300,164	547,696
<b>Total Liabilities</b>	<b>\$ 606,060</b>	<b>\$ 2,050,386</b>	<b>\$ 2,104,328</b>	<b>\$ 552,118</b>

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## **Schedule of Outstanding Bonded Indebtedness**

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# Kentwood Public Schools Kentwood, Michigan

## Schedule of Outstanding Bonded Indebtedness

Bonds in the amount of \$55,780,000 were sold during 2012 for the purpose of advance refunding a portion of bonds issued in 2003. The bonds are dated March 9, 2012. Bonds in the amount of \$29,935,000 were sold during 2016. The bonds are dated February 2, 2016. Bonds in the amount of \$17,340,000 were sold during 2019. The bonds are dated February 6, 2019. Bonds in the amount of \$8,925,000 were sold during 2020. The bonds are dated June 23, 2020. The following schedule presents the detail of the outstanding bonds at June 30, 2020:

	2012 Refunding Bonds		2016 Building and Site Bonds		2019 Building and Site Bonds		2020 Building and Site Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 6,185,000	\$ 756,800	\$ 785,000	\$ 1,342,350	\$ -	\$ 794,800	\$ -	\$ 259,019	\$ 6,970,000	\$ 3,152,969
2022	6,325,000	509,400	820,000	1,326,650	-	794,800	450,000	302,750	7,595,000	2,933,600
2023	6,410,000	256,400	915,000	1,310,250	-	794,800	675,000	284,750	8,000,000	2,646,200
2024	-	-	1,200,000	1,264,500	1,055,000	794,800	215,000	257,750	2,470,000	2,317,050
2025	-	-	1,200,000	1,204,500	1,055,000	752,600	325,000	249,150	2,580,000	2,206,250
2026	-	-	1,200,000	1,144,500	1,160,000	710,400	335,000	236,150	2,695,000	2,091,050
2027	-	-	1,205,000	1,084,500	1,260,000	664,000	345,000	222,750	2,810,000	1,971,250
2028	-	-	1,205,000	1,024,250	1,320,000	613,600	385,000	208,950	2,910,000	1,846,800
2029	-	-	1,205,000	964,000	1,370,000	560,800	385,000	193,550	2,960,000	1,718,350
2030	-	-	1,205,000	903,750	1,440,000	506,000	385,000	178,150	3,030,000	1,587,900
2031	-	-	1,205,000	843,500	1,445,000	434,000	385,000	162,750	3,035,000	1,440,250
2032	-	-	1,205,000	783,250	1,445,000	361,750	385,000	151,200	3,035,000	1,296,200
2033	-	-	1,205,000	723,000	1,445,000	289,500	385,000	139,650	3,035,000	1,152,150
2034	-	-	1,205,000	662,750	1,445,000	217,250	385,000	128,100	3,035,000	1,008,100
2035	-	-	1,205,000	602,500	1,450,000	145,000	385,000	116,550	3,040,000	864,050
2036	-	-	1,205,000	542,250	1,450,000	72,500	385,000	105,000	3,040,000	719,750
2037	-	-	1,205,000	482,000	-	-	385,000	93,450	1,590,000	575,450
2038	-	-	1,205,000	421,750	-	-	390,000	81,900	1,595,000	503,650
2039	-	-	1,205,000	361,500	-	-	390,000	70,200	1,595,000	431,700
2040	-	-	1,205,000	301,250	-	-	390,000	58,500	1,595,000	359,750
2041	-	-	1,205,000	241,000	-	-	390,000	46,800	1,595,000	287,800
2042	-	-	1,205,000	180,750	-	-	390,000	35,100	1,595,000	215,850
2043	-	-	1,205,000	120,500	-	-	390,000	23,400	1,595,000	143,900
2044	-	-	1,205,000	60,250	-	-	390,000	11,700	1,595,000	71,950
	\$ 18,920,000	\$ 1,522,600	\$ 27,810,000	\$ 17,895,500	\$ 17,340,000	\$ 8,506,600	\$ 8,925,000	\$ 3,617,269	\$ 72,995,000	\$ 31,541,969

The bonds are not subject to redemption prior to maturity.

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## Single Audit

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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***

Board of Education  
Kentwood Public Schools  
Kentwood, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Kentwood Public Schools (the District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements, and have issued our report thereon dated October 23, 2020.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District’s internal control. Accordingly, we do not express an opinion on the effectiveness of the District’s internal control.

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

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

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*BDO USA, LLP*

October 23, 2020



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

Board of Education  
Kentwood Public Schools  
Kentwood, Michigan

### **Report on Compliance for Each Major Federal Program**

We have audited Kentwood Public Schools (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District’s major federal programs for the year ended June 30, 2020. The District’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

#### ***Management’s Responsibility***

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

#### ***Auditor’s Responsibility***

Our responsibility is to express an opinion on compliance for each of the District’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### ***Opinion on Each Major Federal Program***

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

### **Report on Internal Control Over Compliance**

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

*BDO USA, LLP*

October 23, 2020

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## **Schedule of Expenditures of Federal Awards**

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# Kentwood Public Schools Kentwood, Michigan

## Schedule of Expenditures of Federal Awards June 30, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster Title/Project Number	Federal CFDA Number	Passed Through	Program or Award Amount	Prior Year Expenditures (Memorandum Only)	Accrued Revenue at July 1, 2019	Adjustments	Current Year Receipts	Current Year Expenditures	Accrued Revenue at June 30, 2020	Passed Through to Subrecipients
<b>U.S. Department of Agriculture</b>										
Child Nutrition Cluster:										
191970 School Breakfast Program	10.553	MDE	\$ 725,164	\$ 733,687	\$ 8,523	-	\$ 164,331	\$ 155,808	-	-
201970 School Breakfast Program	10.553	MDE	570,017	-	-	-	570,017	570,017	-	-
<b>Total School Breakfast Program</b>			1,295,181	733,687	8,523	-	734,348	725,825	-	-
Non-Cash Assistance										
(Entitlement Commodities)										
191960 National School Lunch Program	10.555	MDE	433,793	409,492	-	-	433,793	433,793	-	-
200902 COVID-19 Unanticipated School Closures 2019-20	10.555	MDE	2,106,367	2,120,707	14,340	-	508,147	493,807	-	-
201960 National School Lunch Program	10.555	MDE	1,765,414	-	-	-	1,398,412	1,765,414	367,002	-
201960 National School Lunch Program	10.555	MDE	1,636,262	-	-	-	1,636,262	1,636,262	-	-
<b>Total National School Lunch Program</b>			5,941,836	2,530,199	14,340	-	3,976,614	4,329,276	367,002	-
<b>Total Child Nutrition Cluster</b>			7,237,017	3,263,886	22,863	-	4,710,962	5,055,101	367,002	-
Child and Adult Care Food Program:										
191920 CACFP Meals	10.558	MDE	50,694	242,595	-	-	50,694	50,694	-	-
192010 CACFP Meals	10.558	MDE	2,768	13,509	-	-	2,768	2,768	-	-
201920 CACFP Meals	10.558	MDE	180,178	-	-	-	180,178	180,178	-	-
202010 CACFP Meals	10.558	MDE	9,837	-	-	-	9,837	9,837	-	-
<b>Total Child and Adult Care Food Program</b>			243,477	256,104	-	-	243,477	243,477	-	-
<b>Total U.S. Department of Agriculture</b>			7,480,494	3,519,990	22,863	-	4,954,439	5,298,578	367,002	-

**Kentwood Public Schools  
Kentwood, Michigan**

**Schedule of Expenditures of Federal Awards (Continued)  
June 30, 2020**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title/Project Number	Federal CFDA Number	Passed Through	Program or Award Amount	Prior Year Expenditures (Memorandum Only)	Accrued Revenue at July 1, 2019	Adjustments	Current Year Receipts	Current Year Expenditures	Accrued Revenue at June 30, 2020	Passed Through to Subrecipients
<b>U.S. Department of Education</b>										
Title I, Part A - Regional Assistance										
191570 1819	84.010A	KISD	\$ 97,975	\$ 24,302	\$ -	\$ -	\$ 24,302	\$ 24,302	\$ -	-
201570 1920	84.010A	KISD	64,538	-	-	-	64,538	64,538	-	-
Title I, Part A - Grants to Local Educational Agencies:										
191530 1819	84.010	MDE	2,568,710	1,966,314	216,422	-	315,780	99,358	-	-
201530 1920	84.010	MDE	2,416,673	-	-	-	1,830,805	1,889,858	59,053	-
<b>Total Title I, Part A</b>			<b>5,147,896</b>	<b>1,990,616</b>	<b>216,422</b>	<b>-</b>	<b>2,235,425</b>	<b>2,078,056</b>	<b>59,053</b>	<b>-</b>
Special Education Cluster (IDEA):										
Special Education Grants to States (IDEA, Part B):										
190450 1819	84.027	KISD	2,382,030	2,382,030	636,168	-	636,168	-	-	-
200450 1920	84.027	KISD	2,427,894	-	-	-	1,668,044	2,427,894	759,850	-
<b>Total Special Education Grants to States</b>			<b>4,809,924</b>	<b>2,382,030</b>	<b>636,168</b>	<b>-</b>	<b>2,304,212</b>	<b>2,427,894</b>	<b>759,850</b>	<b>-</b>
Special Education - Preschool Grant (IDEA, Preschool):										
190460 1819	84.173	KISD	91,635	91,635	17,500	-	17,500	-	-	-
200460 1920	84.173	KISD	109,045	-	-	-	85,665	109,045	23,380	-
<b>Total Special Education Preschool Grants</b>			<b>200,680</b>	<b>91,635</b>	<b>17,500</b>	<b>-</b>	<b>103,165</b>	<b>109,045</b>	<b>23,380</b>	<b>-</b>
<b>Total Special Education Cluster (IDEA)</b>			<b>5,010,604</b>	<b>2,473,665</b>	<b>653,668</b>	<b>-</b>	<b>2,407,377</b>	<b>2,536,939</b>	<b>783,230</b>	<b>-</b>

**Kentwood Public Schools  
Kentwood, Michigan**

**Schedule of Expenditures of Federal Awards (Continued)  
June 30, 2020**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title/Project Number	Federal CFDA Number	Passed Through	Program or Award Amount	Prior Year Expenditures (Memorandum Only)	Accrued Revenue at July 1, 2019	Adjustments	Current Year Receipts	Current Year Expenditures	Accrued Revenue at June 30, 2020	Passed Through to Subrecipients
<b>U.S. Department of Education (Continued)</b>										
Twenty-First Century Community Learning Centers:										
192110 I14071	84.287	MDE	\$ 675,000	\$ 664,247	\$ 156,644	\$ -	\$ 156,644	\$ -	\$ -	-
192110 I14072	84.287	MDE	675,000	660,834	132,777	-	132,777	-	-	-
192110 I14073	84.287	MDE	675,000	669,476	116,143	-	116,143	-	-	-
202110 I194223	84.287	MDE	625,000	-	-	-	534,972	566,646	31,674	-
202110 I194290	84.287	MDE	675,000	-	-	-	571,570	612,369	40,799	-
202110 I194291	84.287	MDE	675,000	-	-	-	555,112	596,657	41,545	-
<b>Total Twenty-First Century Community Learning Centers</b>			<b>4,000,000</b>	<b>1,994,557</b>	<b>405,564</b>	<b>-</b>	<b>2,067,218</b>	<b>1,775,672</b>	<b>114,018</b>	<b>-</b>
Title III, Part A - English Language Acquisition										
State Grants:										
190580 1819	84.365	MDE	254,266	43,168	6,236	-	16,123	9,887	-	-
190570 1819	84.365	MDE	203,461	179,540	17,811	-	23,921	6,110	-	-
200570 1920	84.365	MDE	171,950	-	-	-	42,701	48,372	5,671	-
200580 1920	84.365	MDE	280,189	-	-	-	231,000	231,000	-	-
<b>Total Title III, Part A</b>			<b>909,866</b>	<b>222,708</b>	<b>24,047</b>	<b>-</b>	<b>313,745</b>	<b>295,369</b>	<b>5,671</b>	<b>-</b>
Title II, Part A - Supporting Effective Instruction State Grants:										
180532 1819	84.367	MDE	237,600	28,167	28,167	-	209,416	181,249	-	-
190532 1920	84.367	MDE	28,167	-	-	-	-	18,000	18,000	-
190520 1819	84.367	MDE	785,757	261,171	54,195	-	257,059	202,864	-	-
200520 1920	84.367	MDE	671,486	-	-	-	228,334	264,341	36,007	-
<b>Total Title II, Part A</b>			<b>1,723,010</b>	<b>289,338</b>	<b>82,362</b>	<b>-</b>	<b>694,809</b>	<b>666,454</b>	<b>54,007</b>	<b>-</b>
Title IV, Part A - Student Support and Academic Enrichment Grants										
190750 1819	84.424A	MDE	175,148	138,033	18,858	(1,276)	17,582	-	-	-
200750 1920	84.424A	MDE	190,664	-	-	-	141,759	141,759	-	-
<b>Total Title IV, Part A</b>			<b>365,812</b>	<b>138,033</b>	<b>18,858</b>	<b>(1,276)</b>	<b>159,341</b>	<b>141,759</b>	<b>-</b>	<b>-</b>
<b>Total U.S. Department of Education</b>			<b>17,157,188</b>	<b>7,108,917</b>	<b>1,400,921</b>	<b>(1,276)</b>	<b>7,877,915</b>	<b>7,494,249</b>	<b>1,015,979</b>	<b>-</b>

**Kentwood Public Schools  
Kentwood, Michigan**

**Schedule of Expenditures of Federal Awards (Concluded)  
June 30, 2020**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title/Project Number	Federal CFDA Number	Passed Through	Program or Award Amount	Expenditures (Memorandum Only)	Accrued Revenue at July 1, 2019	Adjustments	Current Year Receipts	Current Year Expenditures	Accrued Revenue at June 30, 2020	Passed Through to Subrecipients
<b>U.S. Department of Health and Human Services</b>										
Medicaid Cluster:										
School based Medicaid 19/20										
Medicaid Outreach	93.778	KISD	13,398	-	-	-	13,398	13,398	-	-
<b>Total Medicaid Cluster</b>			13,398	-	-	-	13,398	13,398	-	-
<b>Total U.S. Department of Health and Human Services</b>			13,398	-	-	-	13,398	13,398	-	-
<b>Total Federal Financial Assistance</b>			\$ 24,651,080	\$ 10,628,907	\$ 1,423,784	\$ (1,276)	\$ 12,845,752	\$ 12,806,225	\$ 1,382,981	-

*See accompanying notes to Schedule of Expenditures of Federal Awards.*

**Kentwood Public Schools  
Kentwood, Michigan**

**Notes to Schedule of Expenditures of Federal Awards**

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**1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of the District under programs of the federal government for the year ended June 30, 2020. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position of the District.

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

**2. Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting, which is described in Note 1 to the District's basic financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

The District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**3. Reconciliation to Financial Statements**

*Year ended June 30, 2020*

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Federal revenue per financial statements	\$ 12,817,457
Less: funds received under vendor/contractor relationship	(11,232)
<hr/>	
<b>Expenditures of Federal Awards</b>	<b>\$ 12,806,225</b>

**4. Pass-Through Agencies**

The District receives certain federal grants as subawards from non-federal entities. Pass-through entities, where applicable, have been identified in the schedule with an abbreviation, defined as follows:

<i>Pass-Through Agency Abbreviation</i>	<i>Pass-Through Agency Name</i>
MDE	Michigan Department of Education
KISD	Kent Intermediate School District

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**Kentwood Public Schools  
Kentwood, Michigan**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2020**

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**Section I - Summary of Auditor's Results**

***Financial Statements***

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?                           yes      X   no
- Significant deficiency(ies) identified?                   yes      X   none reported

Noncompliance material to financial statements noted?           yes      X   no

***Federal Awards***

Internal control over major federal programs:

- Material weakness(es) identified?                           yes      X   no
- Significant deficiency(ies) identified?                   yes      X   none reported

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?           yes      X   no

Identification of major federal programs:

CFDA Number

84.027 & 84.173  
84.365

Name of Federal Program or Cluster

Special Education Cluster (IDEA)  
Title III, Part A English Language  
Acquisition State Grants

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?                      X   yes           no

**Section II - Financial Statement Findings**

No matters were identified that were required to be reported.

**Section III - Federal Award Findings and Questioned Costs**

No matters were identified that were required to be reported.