

KENT CITY COMMUNITY SCHOOLS

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

YEAR ENDED JUNE 30, 2022

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT.....	1-3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4-10
BASIC FINANCIAL STATEMENTS.....	11
Government-wide Financial Statements	
Statement of Net Position.....	12
Statement of Activities.....	13
Fund Financial Statements	
Balance Sheet - Governmental Funds.....	14
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	15
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	17
Notes to Financial Statements	18-45
REQUIRED SUPPLEMENTARY INFORMATION	46
Budgetary Comparison Schedule - General Fund	47
Schedule of the Reporting Unit's Proportionate Share of the Net Pension Liability.....	48
Schedule of the Reporting Unit's Pension Contributions.....	49
Schedule of the Reporting Unit's Proportionate Share of the Net OPEB Liability.....	50
Schedule of the Reporting Unit's OPEB Contributions.....	51
Notes to Required Supplementary Information	52
ADDITIONAL SUPPLEMENTARY INFORMATION	53
Nonmajor Governmental Fund Types	
Combining Balance Sheet.....	54
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	55
Long-Term Debt	
Bonded Debt.....	56-58
School Bond Loan Programs	59
Schedule of Expenditures of Federal Awards.....	60-62
Notes to Schedule of Expenditures of Federal Awards.....	63

TABLE OF CONTENTS

Page

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 <i>GOVERNMENT AUDITING STANDARDS</i>	64-65
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	66-68
Schedule of Findings and Questioned Costs	69-71
Corrective Action Plan	72-73
Schedule of Prior Year Audit Findings	74-75



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

☎ 517.323.7500

📠 517.323.6346

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Kent City Community Schools

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Kent City Community Schools, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Kent City Community Schools' basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Kent City Community Schools, as of June 30, 2022, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of Matter - Restatement of Net Position

As discussed in Note 14 to the financial statements, beginning net position of the governmental activities was restated to properly record deferred inflows related to state aid funding for pension benefits. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2022 on our consideration of Kent City Community Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Kent City Community Schools' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Kent City Community Schools' internal control over financial reporting and compliance.

Manes Costeian PC

October 21, 2022

KENT CITY COMMUNITY SCHOOLS MANAGEMENT'S DISCUSSION & ANALYSIS

This section of the Kent City Community Schools' (the "District") annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended on June 30, 2022. Please read it in conjunction with the District's financial statements which immediately follow this section. A comparative analysis with the prior year has been provided.

District-wide Financial Statements

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

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

Fund Financial Statements

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

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

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

KENT CITY COMMUNITY SCHOOLS MANAGEMENT'S DISCUSSION & ANALYSIS

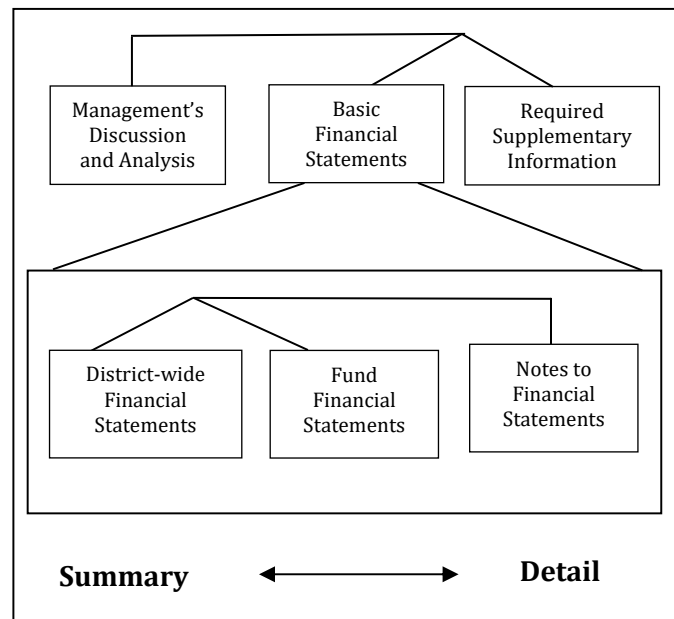
OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

Figure A-1
Organization of Kent City Community Schools'
Annual Financial Report



FUND FINANCIAL STATEMENTS

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

**KENT CITY COMMUNITY SCHOOLS
MANAGEMENT'S DISCUSSION & ANALYSIS**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net position - The District's combined net deficit fluctuated as show below as of June 30, 2022.

Kent City Community Schools' Net Position		
	2022	2021
Current assets	\$ 12,863,379	\$ 21,377,486
Capital assets	28,670,893	21,715,865
Total assets	41,534,272	43,093,351
Deferred outflows of resources	5,005,289	7,538,637
Long-term obligations	35,700,716	35,743,423
Net pension liability	17,404,975	25,915,007
Net other postemployment benefits liability	1,114,480	3,972,420
Other liabilities	4,213,193	7,104,643
Total liabilities	58,433,364	72,735,493
Deferred inflows of resources	12,028,121	3,866,523
Net position		
Net investment in capital assets	529,840	(2,890,400)
Restricted for debt service	-	336,833
Restricted for food service	-	439,070
Restricted for community services	-	34,904
Restricted for capital projects (sinking fund)	431,065	387,024
Unrestricted	(24,882,829)	(24,277,459)
Total net position	\$ (23,921,924)	\$ (25,970,028)
*The 2021 figures have not been updated for the restatement disclosed in note 14		

The District's combined net position at the beginning of the fiscal year, as restated, was (\$26,934,218) and on June 30, 2022 it is (\$23,921,924).

**KENT CITY COMMUNITY SCHOOLS
MANAGEMENT'S DISCUSSION & ANALYSIS**

Changes in Kent City Community Schools' Net Position		
	2022	2021
Revenues		
Program revenues		
Charges for services	\$ 1,247,624	\$ 35,054
Operating grants and contributions	9,934,547	6,685,225
General revenues		
Property taxes	2,927,060	2,884,929
Investment earnings	39,384	147,800
State sources	5,165,053	9,879,012
Intermediate sources	1,379,489	-
Other	113,439	669,755
Total revenues	<u>20,806,596</u>	<u>20,301,775</u>
Expenses		
Instruction	8,557,811	9,523,541
Support services	6,904,784	8,562,071
Community services and shared time	79,185	190,804
Food services	879,140	788,875
Student / school activities	222,483	-
Other	-	42,113
Interest on long-term debt	1,150,899	1,506,206
Total expenses	<u>17,794,302</u>	<u>20,613,610</u>
Change in net position	<u>\$ 3,012,294</u>	<u>\$ (311,835)</u>

STATE OF MICHIGAN UNRESTRICTED AID (State Foundation Grant)

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

- a. The Michigan State Aid Act per student foundation allowance which was established under Proposal A has increased from \$4,623 per student in 1995 to \$8,700 per student in 2021-2022. The per student State foundation allowance increased by \$589 per student as compared with the prior year.
- b. The District's non-homestead levy for 2021-2022 was 17.7881 mills which the voters approved in May of 2018.

**KENT CITY COMMUNITY SCHOOLS
MANAGEMENT'S DISCUSSION & ANALYSIS**

Student Enrollment

Student enrollment decreased from 1,307 in 2020-2021 to 1,251 in 2021-2022. For the subsequent school year, it is hopeful that enrollment will remain the same as 2021-2022.

GOVERNMENTAL FUNDS

Results of Operations

For the fiscal years ended June 30, 2022 and 2021, the total fund-level results of operations were:

	2022	2021
REVENUES		
Local sources		
Property taxes	\$ 2,927,060	\$ 2,884,929
Investment earnings	39,384	147,800
Food sales	35,137	24,647
Student / school activities	203,837	156,479
Other	252,793	311,925
Total local sources	3,458,211	3,525,780
State sources	12,812,724	12,356,555
Federal sources	3,337,910	2,903,076
Intermediate sources	1,379,489	1,302,880
TOTAL REVENUES	\$ 20,988,334	\$ 20,088,291
EXPENDITURES		
Current		
Instruction	\$ 9,414,296	\$ 8,618,241
Supporting services	6,921,695	6,594,823
Food service activities	896,934	738,824
Student / school activities	183,161	147,525
Community service activities	130,219	135,902
Capital outlays	8,282,416	7,689,039
Debt service		
Principal	1,160,000	910,000
Interest	1,307,003	1,545,746
Other	1,500	173
TOTAL EXPENDITURES	\$ 28,297,224	\$ 26,380,273

KENT CITY COMMUNITY SCHOOLS MANAGEMENT'S DISCUSSION & ANALYSIS

The following summarizes the revenues and expenses by comparing fiscal year 2022 to 2021 as shown in the previous results of operations.

- State sources increased due to increases in 147c MPSERS UAAL payments as well as the increase in foundation allowance of \$589 per pupil.
- Federal sources increased due to the Elementary and Secondary School Emergency Relief Funds.
- Expenses increased from \$26.4 million in 2021 to \$28.3 million in 2022, an increase of approximately \$1.92 million. The increase is due to additional funds spent on instruction and supporting services to cover COVID-19 related costs.

GENERAL FUND AND BUDGET HIGHLIGHTS

Original vs. Final Budget

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year. The original 2021-2022 budget was approved in June 2021.

The 2021-2022 budget was revised two times throughout the fiscal year, with the final revision approved in June 2022. The final budget revision anticipated higher revenues and higher expenditures than was expected in June 2021 when the original budget was approved. The increase in revenues was a result of receiving more state and federal funding than anticipated. The increase in expenditures was the result of COVID-19 related purchases and added operational costs.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2022, the District had invested \$57.2 million in a broad range of capital assets.

Kent City Community Schools' Capital Assets				
	2022			2021
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Land	\$ 62,544	\$ -	\$ 62,544	\$ 62,544
Construction in progress	15,895,393	-	15,895,393	7,880,748
Land improvements	2,243,466	2,031,574	211,892	231,380
Buildings and improvements	35,079,550	23,480,905	11,598,645	12,611,750
Furniture and equipment	1,665,590	1,381,963	283,627	176,605
Vehicles	2,213,185	1,594,393	618,792	752,838
Total	\$ 57,159,728	\$ 28,488,835	\$ 28,670,893	\$ 21,715,865

KENT CITY COMMUNITY SCHOOLS MANAGEMENT'S DISCUSSION & ANALYSIS

LONG-TERM OBLIGATIONS

At year-end, the District had \$35.7 million in long-term obligation, an approximately \$1.73 million decrease when compared to the prior year. The District paid down its outstanding bonds with principal payments on \$1.16 million.

Kent City Community Schools Outstanding Long-Term Obligations		
	2022	2021
General obligation bonds - net	\$ 34,659,083	\$ 36,001,175
Compensated absences and early retirement incentives	92,084	496,457
Notes from direct borrowings and direct placements	949,549	935,030
	<u>\$ 35,700,716</u>	<u>\$ 37,432,662</u>

FACTORS BEARING ON THE DISTRICT'S FUTURE

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

The School District's Board of Education and administration considered many factors when finalizing the School District's 2022-23 budget. The 2022-23 budget was adopted in June 2022, based on an estimate of 1,225 students that will be enrolled in October 2022 and estimated per pupil funding. The 2022-23 budget was approved at a \$350 per pupil increase. Based on early enrollment data at the start of the 2022-23 school year, it is anticipated that the fall student count will be higher than the estimates used in creating the 2022-23 budget. The District's 2022-23 Approved Budget will be amended by January.

The district will continue to monitor State tax collections as Michigan, along with the rest of the nation, work to transition from the mandatory shutdowns implemented by public health officials during the COVID-19 pandemic. The majority of the district's revenue stream is from State revenues. The State of Michigan continues to be dominated by the automotive sector. Although projections for sales of cars and light trucks produced in Michigan remains strong, global supply chain challenges could cause an interruption in production that could negatively impact State tax collections.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the revenues it receives. If you have any questions about this report or need any additional information, please contact the Business Services Office, Kent City Community Schools, 200 North Clover Street, Kent City, Michigan, 49330.

BASIC FINANCIAL STATEMENTS

KENT CITY COMMUNITY SCHOOLS
STATEMENT OF NET POSITION
JUNE 30, 2022

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 2,899,678
Receivables	
Accounts receivable	33,728
Intergovernmental	3,672,280
Inventories	7,255
Prepays	3,735
Restricted cash and cash equivalents - capital projects	654,728
Restricted investments - capital projects	5,591,975
Capital assets not being depreciated	15,957,937
Capital assets, net of accumulated depreciation	12,712,956
TOTAL ASSETS	41,534,272
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding	76,171
Related to pensions	3,448,785
Related to other postemployment benefits	1,480,333
TOTAL DEFERRED OUTFLOWS OF RESOURCES	5,005,289
LIABILITIES	
Accounts payable	1,390,645
Accrued salaries and related items	767,600
Accrued retirement	686,402
Unearned revenue	653,492
Notes payable	457,143
Accrued interest	211,471
Noncurrent liabilities	
Due within one year	1,226,693
Due in more than one year	34,474,023
Accrued interest due in more than one year	46,440
Net pension liability	17,404,975
Net other postemployment benefits liability	1,114,480
TOTAL LIABILITIES	58,433,364
DEFERRED INFLOWS OF RESOURCES	
Related to pensions	6,351,966
Related to other postemployment benefits	4,530,562
Related to state aid funding for pension	1,145,593
TOTAL DEFERRED INFLOWS OF RESOURCES	12,028,121
NET POSITION	
Net investment in capital assets	529,840
Restricted for capital projects (sinking fund)	431,065
Unrestricted	(24,882,829)
TOTAL NET POSITION	\$ (23,921,924)

See notes to financial statements.

**KENT CITY COMMUNITY SCHOOLS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022**

Functions/Programs	Expenses	Program Revenues		Governmental Activities
		Charges for Services	Operating Grants and Contributions	Net (expense) Revenue and Changes in Net Position
Governmental activities				
Instruction	\$ 8,557,811	\$ 23,030	\$ 7,725,944	\$ (808,837)
Support services	6,904,784	63,341	1,931,485	(4,909,958)
Community services and shared time	79,185	15,154	14,238	(49,793)
Food services	879,140	1,146,099	31,792	298,751
Student/school activities	222,483	-	231,088	8,605
Interest on long-term debt	1,150,899	-	-	(1,150,899)
Total governmental activities	<u>\$ 17,794,302</u>	<u>\$ 1,247,624</u>	<u>\$ 9,934,547</u>	<u>(6,612,131)</u>
General revenues				
Property taxes, levied for general purposes				655,273
Property taxes, levied for debt service				2,036,200
Property taxes, levied for capital projects (sinking fund)				235,587
Investment earnings				39,384
State sources				5,165,053
Intermediate sources				1,379,489
Other				<u>113,439</u>
Total general revenues				<u>9,624,425</u>
CHANGE IN NET POSITION				3,012,294
NET POSITION, beginning of year, as restated				<u>(26,934,218)</u>
NET POSITION, end of year				<u>\$ (23,921,924)</u>

See notes to financial statements.

**KENT CITY COMMUNITY SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2022**

	General Fund	2020 Bonded Construction Capital Projects Fund	Total Nonmajor Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 1,465,641	\$ -	\$ 1,434,037	\$ 2,899,678
Receivables				
Accounts receivable	33,728	-	-	33,728
Due from other funds	314,036	65,275	-	379,311
Intergovernmental	3,653,472	-	18,808	3,672,280
Inventories	-	-	7,255	7,255
Prepays	1,345	-	2,390	3,735
Restricted cash and cash equivalents - capital projects	-	728	654,000	654,728
Restricted investments - capital projects	-	5,591,975	-	5,591,975
TOTAL ASSETS	\$ 5,468,222	\$ 5,657,978	\$ 2,116,490	\$ 13,242,690
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 118,482	\$ 1,265,055	\$ 7,108	\$ 1,390,645
Due to other funds	-	-	379,311	379,311
Notes payable	457,143	-	-	457,143
Accrued interest	541	-	-	541
Accrued salaries and related items	767,600	-	-	767,600
Accrued retirement	686,402	-	-	686,402
Unearned revenue	475,625	-	177,867	653,492
TOTAL LIABILITIES	2,505,793	1,265,055	564,286	4,335,134
FUND BALANCES				
Nonspendable				
Inventories	-	-	7,255	7,255
Prepays	1,345	-	2,390	3,735
Restricted for:				
Debt service	-	-	191,911	191,911
Food service	-	-	662,075	662,075
Capital projects	-	4,392,923	431,065	4,823,988
Committed for community services	-	-	22,705	22,705
Committed for student/school activities	-	-	234,803	234,803
Unassigned	2,961,084	-	-	2,961,084
TOTAL FUND BALANCES	2,962,429	4,392,923	1,552,204	8,907,556
TOTAL LIABILITIES AND FUND BALANCES	\$ 5,468,222	\$ 5,657,978	\$ 2,116,490	\$ 13,242,690

See notes to financial statements.

KENT CITY COMMUNITY SCHOOLS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE
SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2022

Total governmental fund balances	\$	8,907,556
---	----	-----------

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

Deferred outflows of resources - deferred charges on refunding		76,171
Deferred outflows of resources - related to pensions		3,448,785
Deferred inflows of resources - related to pensions		(6,351,966)
Deferred outflows of resources - related to other postemployment benefits		1,480,333
Deferred inflows of resources - related to other postemployment benefits		(4,530,562)
Deferred inflows of resources - related to state aid funding for pensions		(1,145,593)

Capital assets used in governmental activities are not financial resources and are not reported in the funds:

The cost of the capital assets is	\$ 57,159,728	
Accumulated depreciation is	<u>(28,488,835)</u>	
		28,670,893

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

General obligation bonds		(34,659,083)
Notes from direct borrowings and direct placements		(949,549)
Compensated absences		(92,084)
Accrued interest		(257,370)
Net pension liability		(17,404,975)
Net other postemployment benefits liability		<u>(1,114,480)</u>

Net position of governmental activities	\$	<u><u>(23,921,924)</u></u>
--	----	----------------------------

KENT CITY COMMUNITY SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2022

	General Fund	2020 Bonded Construction Capital Projects Fund	Total Nonmajor Funds	Total Governmental Funds
REVENUES				
Local sources				
Property taxes	\$ 655,273	\$ -	\$ 2,271,787	\$ 2,927,060
Investment earnings	6,791	25,128	7,465	39,384
Food sales	-	-	35,137	35,137
Student/school activities	-	-	203,837	203,837
Other	112,045	-	140,748	252,793
Total local sources	774,109	25,128	2,658,974	3,458,211
State sources	12,777,976	-	34,748	12,812,724
Federal sources	2,215,702	-	1,122,208	3,337,910
Intermediate school districts	1,379,489	-	-	1,379,489
TOTAL REVENUES	17,147,276	25,128	3,815,930	20,988,334
EXPENDITURES				
Current				
Instruction	9,414,296	-	-	9,414,296
Supporting services	6,921,695	-	-	6,921,695
Community services and shared time	87,051	-	43,168	130,219
Food service activities	-	-	896,934	896,934
Student/school activities	-	-	183,161	183,161
Capital outlay	116,623	7,898,022	267,771	8,282,416
Debt service				
Principal repayment	-	-	1,160,000	1,160,000
Interest	-	-	1,307,003	1,307,003
Other	-	1,500	-	1,500
TOTAL EXPENDITURES	16,539,665	7,899,522	3,858,037	28,297,224
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	607,611	(7,874,394)	(42,107)	(7,308,890)
OTHER FINANCING SOURCES (USES)				
School loan revolving fund issuance	-	-	14,519	14,519
Transfers in	50,000	-	4,561	54,561
Transfers out	-	-	(54,561)	(54,561)
TOTAL OTHER FINANCING SOURCES (USES)	50,000	-	(35,481)	14,519
NET CHANGE IN FUND BALANCES	657,611	(7,874,394)	(77,588)	(7,294,371)
FUND BALANCES				
Beginning of year	2,304,818	12,267,317	1,629,792	16,201,927
End of year	\$ 2,962,429	\$ 4,392,923	\$ 1,552,204	\$ 8,907,556

See notes to financial statements.

**KENT CITY COMMUNITY SCHOOLS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022**

Net change in fund balances total governmental funds \$ (7,294,371)

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

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

Depreciation expense	(1,204,147)
Capital outlay	8,159,175

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

Accrued interest payable, beginning of the year	217,834
Accrued interest payable, end of the year	(210,930)

The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The effect of these differences is the treatment of long-term debt and related items and are as follows:

Payments on bonded debt	1,160,000
School loan revolving fund issuance	(14,519)
Accrued interest from school loan revolving fund and school bond loan fund	(24,429)
Amortization of deferred charges on refunding	(8,463)
Amortization of bond premium	182,092

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

Accrued compensated absences, beginning of the year	496,457
Accrued compensated absences, end of the year	(92,084)

Some revenues and expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:

Pension related items	637,473
Other postemployment benefits related items	1,189,609

Restricted revenue reported in the governmental funds that is deferred to offset the deferred outflows related to Section 147c pension contributions subsequent to the measurement period:

Change in state aid funding for pension	(181,403)
---	-----------

Change in net position of governmental activities	\$ 3,012,294
--	---------------------

KENT CITY COMMUNITY SCHOOLS NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

Description of Government-wide Financial Statements

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

Basis of Presentation - Government-wide Financial Statements

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

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

Basis of Presentation - Fund Financial Statements

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

The District reports the following *Major Governmental Funds*:

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

The *2020 Bonded Construction Capital Projects fund* is used to account for capital projects activities funded with bonds issued after May 1, 1994. For these capital projects, the school district has complied with the applicable provisions of section 1351a of the revised school code.

**KENT CITY COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation - Fund Financial Statements (continued)

The projects for which the 2020 School Building and Site Bonds were issued were in process as of June 30, 2022 and the cumulative revenues, other financing sources (uses), and expenditures recognized for the construction period were as follows:

	2020 Bonded Construction Capital Projects Fund
	<u> </u>
Revenues and other financing sources	<u>\$ 22,360,612</u>
Expenditures and other financing uses	<u>\$ 17,967,689</u>

The District reports the following *Other Nonmajor Funds*:

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

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

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

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

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

Measurement Focus and Basis of Accounting

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

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

**KENT CITY COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting (continued)

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

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

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

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

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

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

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

**KENT CITY COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgetary Information

Budgetary Basis of Accounting

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

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

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

- a. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, in the general fund are noted in the required supplementary information section.
- d. Transfers may be made for budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
- e. The budget was amended once during the year. The final budget was approved prior to the June 30, 2022 year-end. The District does not consider these amendments appropriations to be significant.

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

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of 3 months or less from the date of acquisition.

Investments

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

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

**KENT CITY COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Investments (continued)

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

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

Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

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

Capital Assets

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

**KENT CITY COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Capital Assets (continued)

Land and construction in progress, if any, are not depreciated. The other capital assets of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Capital Asset Classes</u>	<u>Lives</u>
Land improvements	10 - 20 years
Buildings and improvements	40 -50 years
Furniture and equipment	3 - 10 years
Vehicles	5 - 10 years

Defined Benefit Plans

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

Deferred Outflows

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District has three items that qualify for reporting in this category. They are the deferred charge on refunding, pension and other postemployment benefits related items reported in the government-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 will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has three items that qualify for reporting in this category. The first is restricted section 147c state aid deferred to offset deferred outflows related to section 147c pension contributions subsequent to the measurement period. The second and third items are future resources yet to be recognized in relation to the pension and other postemployment benefit actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the pension and other postemployment benefit liability and the actual results. The amounts are amortized over a period determined by the actuary.

**KENT CITY COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Net Position Flow Assumption

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

In the computation of net investments in capital assets, school loan revolving fund and school bond loan fund principal proceeds of \$949,549 are considered capital-related debt. Accrued interest on the school loan revolving fund and school bond loan fund of \$46,440 has been included in the calculation of unrestricted net position.

In addition, in 2020 the District issued bonded debt to make principal and interest payments related to the school loan revolving fund and school bond loan fund. As of June 30, 2022, the outstanding balances were \$6,650,000. Of this amount, 45.09% of the proceeds are not considered capital related debt as this amount was used to pay off accrued interest. The allocation of this debt that is not considered capital related debt at June 30, 2022 is \$2,998,485.

Fund Balance Flow Assumptions

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

Fund Balance Policies

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

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

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

**KENT CITY COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues and Expenditures/Expenses

Program Revenues

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

Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer. The actual due dates are September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity. For the year ended June 30, 2022, the District levied the following amounts per \$1,000 of assessed valuation:

Fund	Mills
General Fund	
Non-Principal Residence Exemption (PRE)	17.7881
Commercial Personal Property (CPP)	5.7881
Debt Service Fund	
PRE, Industrial Personal Property, Non-PRE, CPP	8.2500
Capital Projects Sinking Fund	
PRE, Industrial Personal Property, Non-PRE, CPP	0.9783

Compensated Absences (Vacation and Sick Leave) and Early Retirement Incentives

The District's policy permits employees to accumulate earned but unused vacation and sick leave benefits. Sick pay is accrued for the estimated amount that the District will pay upon employment termination; vacation pay is accrued when incurred. In addition, the District has offered early retirement incentives to select employees which are accrued when the future payments are granted. All of these liabilities are reported in the government-wide financial statements. A liability for the compensated absences amount is report in the governmental funds only for employee terminations as of year end.

Long-term Obligations

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

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

**KENT CITY COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS

As of June 30, 2022 the District had deposits subject to the following risks:

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2022, \$3,767,162 of the District's bank balance of \$4,017,162 was exposed to custodial credit risk because it was uninsured and uncollateralized. The carrying value on the books for deposits at the end of the year was \$3,554,406.

Custodial Credit Risk - Investments

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

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

Interest Rate Risk

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

Investment Type	Fair Value	Weighted Average Maturity
MILAF External Investment Pool - CMC	\$ 1,381,473	N/A
MILAF External Investment Pool - MAX	1,665,749	N/A
U.S. Treasury Notes	<u>2,544,753</u>	0.139
Total fair value	<u><u>\$ 5,591,975</u></u>	
Portfolio weighted average maturity		<u><u>0.139</u></u>

One day maturity equals 0.0027, one year equals 1.00.

Foreign Currency Risk

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

**KENT CITY COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Concentration of Credit Risk

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Agency</u>
MILAF External Investment Pool - CMC	\$ 1,381,473	AAAm	Standard & Poor's
MILAF External Investment Pool - MAX	<u>1,665,749</u>	AAAm	Standard & Poor's
Total fair value	<u><u>\$ 3,047,222</u></u>		

Fair Value Measurement

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

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

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

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

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Balance at June 30, 2022</u>
Investments by fair value level				
U.S. Treasury Notes	<u>\$ 2,544,753</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,544,753</u>

The cash and cash equivalents and investments referred to above have been reported in either the cash and cash equivalents or investments captions on the financial statements, based upon criteria disclosed in Note 1.

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

**KENT CITY COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Fair Value Measurement (continued)

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

<u>Investment Type</u>	<u>Amortized Cost</u>
MILAF External Investment Pool - CMC	\$ 1,381,473
MILAF External Investment Pool - MAX	1,665,749
	<u>\$ 3,047,222</u>

The cash and cash equivalents and investments referred to above have been reported in either the cash and cash equivalents or investments captions on the financial statements, based upon criteria disclosed in Note 1.

The following summarizes the categorization of these amounts as of June 30, 2022:

	<u>Primary Government</u>
Cash and cash equivalents	\$ 2,899,678
Restricted cash and cash equivalents - capital projects	654,728
Restricted investments - capital projects	5,591,975
	<u>\$ 9,146,381</u>

NOTE 3 - INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables at June 30, 2022 consist of the following:

	<u>Government- wide</u>
State aid	\$ 2,333,329
Federal revenue	1,336,944
Other	2,007
	<u>\$ 3,672,280</u>

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

**KENT CITY COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 - CAPITAL ASSETS

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

	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022
Assets not being depreciated				
Land	\$ 62,544	\$ -	\$ -	\$ 62,544
Construction in progress	7,880,748	8,014,645	-	15,895,393
 Total capital assets not being depreciated	 7,943,292	 8,014,645	 -	 15,957,937
Capital assets being depreciated				
Land improvements	2,243,466	-	-	2,243,466
Buildings and improvements	35,079,550	-	-	35,079,550
Furniture and equipment	1,521,060	144,530	-	1,665,590
Vehicles	2,213,185	-	-	2,213,185
 Total capital assets being depreciated	 41,057,261	 144,530	 -	 41,201,791
Accumulated depreciation				
Land improvements	2,012,086	19,488	-	2,031,574
Buildings and improvements	22,467,800	1,013,105	-	23,480,905
Furniture and equipment	1,344,455	37,508	-	1,381,963
Vehicles	1,460,347	134,046	-	1,594,393
 Total accumulated depreciation	 27,284,688	 1,204,147	 -	 28,488,835
Net capital assets being depreciated	13,772,573	(1,059,617)	-	12,712,956
Net governmental capital assets	<u>\$ 21,715,865</u>	<u>\$ 6,955,028</u>	<u>\$ -</u>	<u>\$ 28,670,893</u>

Depreciation for the fiscal year ended June 30, 2022 amounted to \$1,204,147. The District allocated depreciation to the various activities as follows:

Instruction	\$ 505,877
Support services	627,010
Community services	6,559
Food service	64,701
	<u>\$ 1,204,147</u>

**KENT CITY COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - NOTES PAYABLE

In August 2021, the District issued two \$400,000 notes payable with interest rates of 0.11% and 0.12%. The final maturity of the notes was July 20, 2022 and August 22, 2022. Proceeds of the notes were used to fund school operations. The notes were secured by the full faith and credit of the District as well as pledged state aid. In the event of the unavailability or insufficiency of state school aid for any reason, the notes are payable from tax levies within the District's constitutional and statutory limitations or from unencumbered funds of the District. Upon the occurrence of any default event, the outstanding amounts, including accrued interest become immediately due and payable. Activity for the year ended June 30, 2022 is as follows:

Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022
\$ 2,176,000	\$ 800,000	\$ 2,518,857	\$ 457,143

NOTE 6 - LONG-TERM OBLIGATIONS

The following is a summary of long-term obligations for the District for the year ended June 30, 2022:

	General Obligation Bonds	Notes from Direct Borrowings and Direct Placements	Compensated Absences and Early Retirement Incentives	Total
Balance July 1, 2021	\$ 36,001,175	\$ 935,030	\$ 496,457	\$ 37,432,662
Additions	-	14,519	-	14,519
Deletions	(1,342,092)	-	(404,373)	(1,746,465)
Balance June 30, 2022	34,659,083	949,549	92,084	35,700,716
Due within one year	(1,210,000)	-	(16,693)	(1,226,693)
Due in more than one year	\$ 33,449,083	\$ 949,549	\$ 75,391	\$ 34,474,023

**KENT CITY COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - LONG-TERM OBLIGATIONS (continued)

Long-term obligations at June 30, 2022 are comprised of the following issues:

General Obligation Bonds

2015 Refunding bonds due in annual installments of \$685,000 to \$730,000 through May 1, 2031, with interest rates of 4.00%.	\$ 6,425,000
2020 Refunding bonds due in annual installments of \$275,000 to \$1,165,000 through May 1, 2033, with interest rates ranging from 1.82% to 2.47%.	6,650,000
2020 School building and site bonds due in annual installments of \$205,000 to \$1,045,000 through May 1, 2049, with interest ranging from 4.00% to 5.00%.	17,370,000
Plus issuance premium	<u>4,214,083</u>
Total general obligation bonds	34,659,083

Notes from Direct Borrowings and Direct Placements

Borrowing from the State of Michigan under the School Loan Revolving Fund and School Bond Loan Fund, excluding interest at 1.19% at June 30, 2022.	<u>949,549</u>
Total general obligation bonds and notes from direct borrowings and direct placement	35,608,632
Compensated absences	<u>92,084</u>
Total general long-term obligations	<u><u>\$ 35,700,716</u></u>

Borrowing from the State of Michigan - The school loan revolving fund and school bond loan fund payable represents a note payable to the State of Michigan for loans made to the school district, as authorized by the State of Michigan Constitution, for the purpose of paying principal and interest on general obligation bonds of the school district issued for capital expenditures. Interest rates are to be annually determined by the State Administrative Board. Interest rate of 1.19% has been assessed for the year ended June 30, 2022. Repayment is required when the millage rate necessary to cover the annual bonded debt services falls below 8.25 mills. The District currently levies 8.25 debt mills. Due to the variability of the factors that affect the timing of repayment, including the future amount of state equalized value of property in the school district, no provision for repayment has been included in the following amortization schedule. The state may apply a default late charge on the note if the District does not make the repayments or apply the default late charge if the District fails to levy the appropriate debt mills. The state may also withhold state aid payments if the District is in default.

**KENT CITY COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - LONG-TERM OBLIGATIONS (continued)

The annual requirements to amortize long-term obligations outstanding, including interest, exclusive of compensated absences payments as of June 30, 2022, are as follows:

Year Ending June 30,	General Obligation Bonds		Notes from Direct Borrowings and Direct Placements		Other	Total
	Principal	Interest	Principal	Interest		
2023	\$ 1,210,000	\$ 1,265,582	\$ -	\$ -	\$ -	\$ 2,475,582
2024	1,260,000	1,223,180	-	-	-	2,483,180
2025	1,310,000	1,179,631	-	-	-	2,489,631
2026	1,360,000	1,134,861	-	-	-	2,494,861
2027	1,415,000	1,088,408	-	-	-	2,503,408
2028 - 2032	7,930,000	4,671,288	-	-	-	12,601,288
2033 - 2037	4,515,000	3,407,502	-	-	-	7,922,502
2038 - 2042	4,210,000	2,460,250	-	-	-	6,670,250
2043 - 2047	5,145,000	1,302,000	-	-	-	6,447,000
2048 - 2049	2,090,000	156,750	-	-	-	2,246,750
	30,445,000	17,889,452	-	-	-	48,334,452
Issuance premium	4,214,083	-	-	-	-	4,214,083
Compensated absences	-	-	-	-	92,084	92,084
School loan revolving fund and school bond loan fund	-	-	949,549	46,440	-	995,989
	<u>\$ 34,659,083</u>	<u>\$ 17,889,452</u>	<u>\$ 949,549</u>	<u>\$ 46,440</u>	<u>\$ 92,084</u>	<u>\$ 53,636,608</u>

Interest expense (all funds) for the year ended June 30, 2022 was approximately \$1,307,000.

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS

Plan Description

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

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

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

**KENT CITY COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Benefits Provided - Overall

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

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

Benefits Provided - Pension

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

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

Pension Reform 2010

On May 19, 2010, the Governor signed Public Act 75 of 2010 into law. As a result, any member of the Michigan Public School Employees' Retirement System (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.

**KENT CITY COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension Reform 2012 (continued)

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

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

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

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

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

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

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

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

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

**KENT CITY COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension Reform of 2017

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

Benefits Provided - Other Postemployment Benefit (OPEB)

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

Retiree Healthcare Reform of 2012

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

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

KENT CITY COMMUNITY SCHOOLS NOTES TO FINANCIAL STATEMENTS

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Regular Retirement (no reduction factor for age)

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

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

Member Contributions

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

Employer Contributions

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

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

Pension and OPEB contributions made in the fiscal year ending September 30, 2021 were determined as of the September 30, 2018 actuarial valuations. The pension and OPEB benefits, the unfunded (overfunded) actuarial accrued liabilities as of September 30, 2018 are amortized over an 18-year period beginning October 1, 2020 and ending September 30, 2038.

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

	Pension	Other Postemployment Benefit
October 1, 2020 - September 30, 2021	13.39% - 19.78%	7.57% - 8.43%
October 1, 2021 - September 30, 2022	13.73% - 20.14%	7.23% - 8.09%

**KENT CITY COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Employer Contributions (continued)

The District's pension contributions for the year ended June 30, 2022 were equal to the required contribution total. Total pension contributions were approximately \$2,457,000. Of the total pension contributions approximately \$2,306,000 was contributed to fund the Defined Benefit Plan and approximately \$151,000 was contributed to fund the Defined Contribution Plan.

The District's OPEB contributions for the year ended June 30, 2022 were equal to the required contribution total. Total OPEB contributions were approximately \$573,000. Of the total OPEB contributions approximately \$516,000 was contributed to fund the Defined Benefit Plan and approximately \$57,000 was contributed to fund the Defined Contribution Plan.

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

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

Pension Liabilities

The net pension liability was measured as of September 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2020 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined.

<u>MPERS (Plan) Non-university Employers</u>	<u>September 30, 2021</u>	<u>September 30, 2020</u>
Total Pension Liability	\$ 86,392,473,395	\$ 85,290,583,799
Plan Fiduciary Net Position	\$ 62,717,060,920	\$ 50,939,496,006
Net Pension Liability	\$ 23,675,412,475	\$ 34,351,087,793
Proportionate Share	0.07351%	0.07544%
Net Pension Liability for the District	\$ 17,404,975	\$ 25,915,007

**KENT CITY COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

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

For the year ended June 30, 2022, the District recognized pension expense of \$1,668,703.

At June 30, 2022, the Reporting Unit reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual pension plan investment earnings	\$ -	\$ (5,595,643)
Differences between expected and actual experience	269,611	(102,495)
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	(653,828)
Changes of assumptions	1,097,147	-
Reporting Unit's contributions subsequent to the measurement date	2,082,027	-
	<u>\$ 3,448,785</u>	<u>\$ (6,351,966)</u>

\$2,082,027, reported as deferred outflows of resources related to pensions resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

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

Year Ending	Amount
2022	\$ (764,161)
2023	(1,149,739)
2024	(1,500,352)
2025	(1,570,956)

**KENT CITY COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

OPEB Liabilities

The net OPEB liability was measured as of September 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation date of September 30, 2020 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined.

<u>MPERS (Plan) Non-university Employers</u>	<u>September 30, 2021</u>	<u>September 30, 2020</u>
Total other postemployment benefits liability	\$ 12,046,393,511	\$ 13,206,903,534
Plan fiduciary net position	\$ 10,520,015,621	\$ 7,849,636,555
Net other postemployment benefits liability	\$ 1,526,377,890	\$ 5,357,266,979
Proportionate share	0.07301%	0.07415%
Net other postemployment benefits liability for the District	\$ 1,114,480	\$ 3,972,420

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

For the year ended June 30, 2022, the District recognized OPEB benefit of \$673,396.

At June 30, 2022, the Reporting Unit reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual other postemployment benefits plan investment earnings	\$ -	\$ (840,003)
Differences between expected and actual experience	-	(3,181,203)
Changes in proportion and differences between employer contributions and proportionate share of contributions	128,788	(369,946)
Changes of assumptions	931,650	(139,410)
Reporting Unit's contributions subsequent to the measurement date	419,895	-
	<u>\$ 1,480,333</u>	<u>\$ (4,530,562)</u>

**KENT CITY COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

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

\$419,895, 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:

<u>Year Ending</u>	<u>Amount</u>
2022	\$ (935,204)
2023	(829,147)
2024	(724,930)
2025	(707,621)
2026	(241,534)
2027	(31,688)

Actuarial Assumptions

Investment Rate of Return for Pension - 6.80% a year, compounded annually net of investment and administrative expenses for the MIP, Basic and Pension Plus groups and 6.00% a year, compounded annually net of investment and administrative expenses for Pension Plus 2 Plan.

Investment Rate of Return for OPEB - 6.95% a year, compounded annually net of investment and administrative expenses.

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

Inflation - 3.0%.

Mortality Assumptions -

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

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

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

**KENT CITY COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

Experience Study - The annual actuarial valuation report of the System used for these statements is dated September 30, 2020. Assumption changes as a result of an experience study for the periods 2012 through 2017 have been adopted by the System for use in the determination of the total pension and OPEB liability beginning with the September 30, 2018 valuation.

The Long-Term Expected Rate of Return on Pension and Other Postemployment Benefit Plan Investments - The pension rate was 6.80% (MIP, Basic, and Pension Plus Plan) and 6.00% for Pension Plus 2 Plan, and the other postemployment benefit rate was 6.95%, net of investment and administrative expenses was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension and OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

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

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

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

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

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

The target asset allocation at September 30, 2021 and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Investment Category</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return*</u>
Domestic Equity Pools	25.00%	5.40%
International Equity Pools	15.00%	7.50%
Private Equity Pools	16.00%	9.10%
Real Estate and Infrastructure Pools	10.00%	5.40%
Fixed Income Pools	10.50%	-0.70%
Absolute Return Pools	9.00%	2.60%
Real Return/Opportunistic Pools	12.50%	6.10%
Short Term Investment Pools	2.00%	-1.30%
	<u>100.00%</u>	

* Long term rate of return are net of administrative expenses and 2.0% inflation.

**KENT CITY COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

Rate of Return - For fiscal year ended September 30, 2021, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was 27.3% and 27.14%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Pension Discount Rate - A single discount rate of 6.80% was used to measure the total pension liability (6.00% for the Pension Plus 2 Plan). This discount rate was based on the expected rate of return on pension plan investments of 6.80% (6.00% for the Pension Plus 2 Plan). The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions from school districts will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the Reporting Unit's proportionate share of the net pension liability calculated using a single discount rate of 6.80% (6.00% for the Pension Plus 2 Plan), as well as what the Reporting Unit's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Pension		
	1% Decrease	Discount Rate	1% Increase
Reporting Unit's proportionate share of the net pension liability	\$ 24,884,394	\$ 17,404,975	\$ 11,204,046

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate - The following presents the Reporting Unit's proportionate share of the net OPEB liability calculated using a single discount rate of 6.95%, as well as what the Reporting Unit's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Other Postemployment Benefit		
	1% Decrease	Discount Rate	1% Increase
Reporting Unit's proportionate share of the net other postemployment benefit liability	\$ 2,070,904	\$ 1,114,480	\$ 302,817

**KENT CITY COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

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

	Other Postemployment Benefit		
	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Reporting Unit's proportionate share of the net other postemployment benefit liability	\$ 271,255	\$ 1,114,480	\$ 2,063,208

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 2021 Annual Comprehensive Financial Report.

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

NOTE 8 - RISK MANAGEMENT

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

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

**KENT CITY COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 - INTERFUND RECEIVABLES AND PAYABLES

Interfund payable and receivable balances at June 30, 2022 are as follows:

Receivable Fund		Payable Fund	
General fund	\$ 314,036	Food service fund	\$ 38,951
2020 Bonded construction capital projects fund	65,275	Student/school activities fund	83,219
		2006 Debt fund	9,110
		2020 Debt fund	27,655
		Capital projects sinking fund	220,376
	<u>\$ 379,311</u>		<u>\$ 379,311</u>

NOTE 10 - TRANSFERS

The food service fund transferred \$50,000 to the general fund. The transfer was made for the purpose of recovering indirect costs incurred during the year ended June 30, 2022. \$4,561 was transferred from the 2006 debt fund to the 2020 debt fund in order to close out the 2006 debt fund.

NOTE 11 - CONTINGENT LIABILITIES

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

NOTE 12 - NEW ACCOUNTING STANDARD

For the year ended June 30, 2022, the District implemented the following new pronouncement: GASB Statement No. 87, *Leases*.

Summary:

Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, was issued by the GASB in June 2017. The objective of this Statement is to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use the underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

There was no material impact on the District's financial statement after the adoption of GASB Statement No. 87.

**KENT CITY COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 13 - SUBSEQUENT EVENT

Subsequent to year end, the District issued two notes totaling \$350,000 to replace the notes previously described in Note 5.

NOTE 14 - RESTATEMENT OF NET POSITION

Beginning net position of the governmental activities was restated to properly state deferred inflows related to state aid funding for pension benefits. Details of these adjustments are as follows:

	<u>Governmental Activities</u>
Net position as previously state July 1, 2021	\$ (25,970,028)
Deferred inflows of resources related to state aid funding for pension benefits	<u>(964,190)</u>
Net position as restated July 1, 2021	<u><u>\$ (26,934,218)</u></u>

NOTE 15 - UPCOMING ACCOUNTING PRONOUNCEMENT

In May 2020, the GASB issued Statement No. 96, *Subscription-based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2022-2023 fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION

**KENT CITY COMMUNITY SCHOOLS
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2022**

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Local sources	\$ 736,940	\$ 771,003	\$ 774,109	\$ 3,106
State sources	12,242,741	12,842,029	12,777,976	(64,053)
Federal sources	1,677,188	1,630,398	2,215,702	585,304
Intermediate school districts	1,389,315	1,377,842	1,379,489	1,647
TOTAL REVENUES	16,046,184	16,621,272	17,147,276	526,004
EXPENDITURES				
Current				
Instruction				
Basic programs	6,513,954	6,573,064	6,943,399	(370,335)
Added needs	2,253,614	2,434,277	2,470,897	(36,620)
Total instruction	8,767,568	9,007,341	9,414,296	(406,955)
Supporting services				
Pupil	1,086,689	1,175,715	1,198,508	(22,793)
Instructional staff	486,525	505,887	480,731	25,156
General administration	493,847	668,982	631,809	37,173
School administration	1,173,065	1,189,726	1,126,296	63,430
Business	370,714	434,137	390,011	44,126
Operation/maintenance	1,487,513	1,379,481	1,304,817	74,664
Pupil transportation	1,138,389	994,168	950,019	44,149
Central	295,933	401,258	399,859	1,399
Athletics	550,941	500,197	439,645	60,552
Total supporting services	7,083,616	7,249,551	6,921,695	327,856
Community services and shared time	138,219	93,832	87,051	6,781
Capital outlay	-	-	116,623	(116,623)
TOTAL EXPENDITURES	15,989,403	16,350,724	16,539,665	(188,941)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	56,781	270,548	607,611	337,063
OTHER FINANCING SOURCES (USES)				
Transfers in	50,000	50,000	50,000	-
NET CHANGE IN FUND BALANCE	\$ 106,781	\$ 320,548	657,611	\$ 337,063
FUND BALANCE				
Beginning of year			2,304,818	
End of year			<u>\$ 2,962,429</u>	

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

	2021	2020	2019	2018	2017	2016	2015	2014
Reporting Unit's proportion of net pension liability (%)	0.07351%	0.07544%	0.07571%	0.07626%	0.07925%	0.08010%	0.08141%	0.07838%
Reporting Unit's proportionate share of net pension liability	\$ 17,404,975	\$ 25,915,007	\$ 25,071,461	\$ 22,926,591	\$ 20,536,438	\$ 19,984,499	\$ 19,885,531	\$ 17,264,373
Reporting Unit's covered-employee payroll	\$ 6,871,274	\$ 6,578,423	\$ 6,717,320	\$ 6,294,899	\$ 6,634,573	\$ 6,724,035	\$ 6,824,593	\$ 6,564,727
Reporting Unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	253.30%	393.94%	373.24%	364.21%	309.54%	297.21%	291.38%	262.99%
Plan fiduciary net position as a percentage of total pension liability (Non-university employers)	72.60%	59.72%	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%

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

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required pension contributions	\$ 2,306,176	\$ 2,203,503	\$ 2,130,880	\$ 2,005,642	\$ 1,858,778	\$ 1,798,706	\$ 1,570,593	\$ 1,217,314
Pension contributions in relation to statutorily required contributions	<u>2,306,176</u>	<u>2,203,503</u>	<u>2,130,880</u>	<u>2,005,642</u>	<u>1,858,778</u>	<u>1,798,706</u>	<u>1,570,593</u>	<u>1,217,314</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reporting Unit's covered-employee payroll (pension)	\$ 7,110,340	\$ 6,661,594	\$ 6,751,728	\$ 6,859,884	\$ 6,285,918	\$ 6,742,355	\$ 6,682,720	\$ 6,564,727
Pension contributions as a percentage of covered-employee payroll	32.43%	33.08%	31.56%	29.24%	29.57%	26.68%	23.50%	18.54%

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

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Reporting Unit's proportion of net other postemployment benefits liability (%)	0.07301%	0.07452%	0.07685%	0.07393%	0.07935%
Reporting Unit's proportionate share of net other postemployment benefits liability	\$ 1,114,480	\$ 3,972,420	\$ 5,516,450	\$ 5,876,312	\$ 7,026,640
Reporting Unit's covered-employee payroll	\$ 6,871,274	\$ 6,578,423	\$ 6,717,320	\$ 6,294,899	\$ 6,634,573
Reporting Unit's proportionate share of net other postemployment benefits liability as a percentage of its covered-employee payroll	16.22%	60.39%	82.12%	93.35%	105.91%
Plan fiduciary net position as a percentage of total other postemployment benefits liability (Non-university employers)	87.33%	59.44%	48.46%	43.10%	36.39%

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

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required other postemployment benefits contributions	\$ 516,213	\$ 541,993	\$ 561,337	\$ 544,933	\$ 617,758
Other postemployment benefits contributions in relation to statutorily required contributions	<u>516,213</u>	<u>541,993</u>	<u>561,337</u>	<u>544,933</u>	<u>617,758</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reporting Unit's covered-employee payroll (OPEB)	\$ 7,110,340	\$ 6,661,594	\$ 6,751,728	\$ 6,859,884	\$ 6,285,918
Other post employment benefit contributions as a percentage of covered-employee payroll	7.26%	8.14%	8.31%	7.94%	9.83%

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

**KENT CITY COMMUNITY SCHOOLS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2022**

NOTE 1 - PENSION INFORMATION

Benefit Changes - there were no changes of benefit terms in 2021.

Changes of Assumptions - there were no changes of assumptions in 2021.

NOTE 2 - OPEB INFORMATION

Benefit Changes - there were no changes of benefit terms in 2021.

Changes of Assumptions - the assumption changes for 2021 were:

Healthcare cost trend rate was broken into two groups, Pre 65 and Post 65. The Pre 65 rate is 7.75% Year 1 graded to 3.50% Year 15. The Post 65 rate is 5.25% Year 1 graded to 3.50% Year 15. The prior healthcare cost trend rate was reported as one group with a rate of 7.00% Year 1 graded to 3.50% Year 15.

ADDITIONAL SUPPLEMENTARY INFORMATION

**KENT CITY COMMUNITY SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES
JUNE 30, 2022**

	Special Revenue			Debt Service				Capital	Total
	Food Service	Community Services	Student/ School Activities	2006 Debt	2015 Refunding	2020 Debt	2020 Refunding	Projects - Sinking	Nonmajor Funds
ASSETS									
Cash and cash equivalents	\$ 682,482	\$ 200,308	\$ 322,571	\$ 9,110	\$ 104,980	\$ 64,735	\$ 49,851	\$ -	\$ 1,434,037
Intergovernmental receivable	18,544	264	-	-	-	-	-	-	18,808
Prepays	2,390	-	-	-	-	-	-	-	2,390
Inventories	7,255	-	-	-	-	-	-	-	7,255
Restricted cash and cash equivalents - capital projects	-	-	-	-	-	-	-	654,000	654,000
TOTAL ASSETS	<u>\$ 710,671</u>	<u>\$ 200,572</u>	<u>\$ 322,571</u>	<u>\$ 9,110</u>	<u>\$ 104,980</u>	<u>\$ 64,735</u>	<u>\$ 49,851</u>	<u>\$ 654,000</u>	<u>\$ 2,116,490</u>
LIABILITIES AND FUND BALANCES									
LIABILITIES									
Accounts payable	\$ -	\$ -	\$ 4,549	\$ -	\$ -	\$ -	\$ -	\$ 2,559	\$ 7,108
Due to other funds	38,951	-	83,219	9,110	-	27,655	-	220,376	379,311
Unearned revenue	-	177,867	-	-	-	-	-	-	177,867
TOTAL LIABILITIES	<u>38,951</u>	<u>177,867</u>	<u>87,768</u>	<u>9,110</u>	<u>-</u>	<u>27,655</u>	<u>-</u>	<u>222,935</u>	<u>564,286</u>
FUND BALANCES									
Nonspendable									
Prepays	2,390	-	-	-	-	-	-	-	2,390
Inventories	7,255	-	-	-	-	-	-	-	7,255
Restricted									
Food service	662,075	-	-	-	-	-	-	-	662,075
Debt service	-	-	-	-	104,980	37,080	49,851	-	191,911
Capital projects	-	-	-	-	-	-	-	431,065	431,065
Committed									
Community services	-	22,705	-	-	-	-	-	-	22,705
Student/school activities	-	-	234,803	-	-	-	-	-	234,803
TOTAL FUND BALANCES	<u>671,720</u>	<u>22,705</u>	<u>234,803</u>	<u>-</u>	<u>104,980</u>	<u>37,080</u>	<u>49,851</u>	<u>431,065</u>	<u>1,552,204</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 710,671</u>	<u>\$ 200,572</u>	<u>\$ 322,571</u>	<u>\$ 9,110</u>	<u>\$ 104,980</u>	<u>\$ 64,735</u>	<u>\$ 49,851</u>	<u>\$ 654,000</u>	<u>\$ 2,116,490</u>

KENT CITY COMMUNITY SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUND TYPES
YEAR ENDED JUNE 30, 2022

	Special Revenue			Debt Service				Capital Projects -	Total
	Food Service	Community Services	Student/ School Activities	2006 Debt	2015 Refunding	2020 Debt	2020 Refunding	Sinking	Nonmajor Funds
REVENUES									
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 928,122	\$ 1,027,138	\$ 80,940	\$ 235,587	\$ 2,271,787
Sales	35,137	-	-	-	-	-	-	-	35,137
Student/school activities	-	-	203,837	-	-	-	-	-	203,837
State sources	24,541	-	-	-	3,756	3,955	1,403	1,093	34,748
Federal sources	1,118,490	3,718	-	-	-	-	-	-	1,122,208
Investment earnings	1,416	-	-	-	1,379	1,576	-	3,094	7,465
Other	-	27,251	-	-	39,207	2,252	-	72,038	140,748
TOTAL REVENUES	1,179,584	30,969	203,837	-	972,464	1,034,921	82,343	311,812	3,815,930
EXPENDITURES									
Current									
Food service	896,934	-	-	-	-	-	-	-	896,934
Student / school activities	-	-	183,161	-	-	-	-	-	183,161
Community services	-	43,168	-	-	-	-	-	-	43,168
Capital outlay	-	-	-	-	-	-	-	267,771	267,771
Debt service									
Principal repayment	-	-	-	-	730,000	205,000	225,000	-	1,160,000
Interest	-	-	-	-	286,200	866,050	154,753	-	1,307,003
TOTAL EXPENDITURES	896,934	43,168	183,161	-	1,016,200	1,071,050	379,753	267,771	3,858,037
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	282,650	(12,199)	20,676	-	(43,736)	(36,129)	(297,410)	44,041	(42,107)
OTHER FINANCING SOURCES (USES)									
School loan revolving fund issuance	-	-	-	-	5,984	2,235	6,300	-	14,519
Transfers in	-	-	-	-	-	4,561	-	-	4,561
Transfers out	(50,000)	-	-	(4,561)	-	-	-	-	(54,561)
TOTAL OTHER FINANCING SOURCES (USES)	(50,000)	-	-	(4,561)	5,984	6,796	6,300	-	(35,481)
NET CHANGE IN FUND BALANCES	232,650	(12,199)	20,676	(4,561)	(37,752)	(29,333)	(291,110)	44,041	(77,588)
FUND BALANCES									
Beginning of year	439,070	34,904	214,127	4,561	142,732	66,413	340,961	387,024	1,629,792
End of year	\$ 671,720	\$ 22,705	\$ 234,803	\$ -	\$ 104,980	\$ 37,080	\$ 49,851	\$ 431,065	\$ 1,552,204

**KENT CITY COMMUNITY SCHOOLS
BONDED DEBT
JUNE 30, 2022**

\$9,290,000 Refunding bonds issued August 5, 2015.

Principal Due May 1	Interest Due		Debt Service Requirement for Fiscal Year	
	May 1	November 1	June 30,	Amount
\$ 730,000	\$ 128,500	\$ 128,500	2023	\$ 987,000
725,000	113,900	113,900	2024	952,800
715,000	99,400	99,400	2025	913,800
730,000	85,100	85,100	2026	900,200
725,000	70,500	70,500	2027	866,000
715,000	56,000	56,000	2028	827,000
705,000	41,700	41,700	2029	788,400
695,000	27,600	27,600	2030	750,200
685,000	13,700	13,700	2031	712,400
<u>\$ 6,425,000</u>	<u>\$ 636,400</u>	<u>\$ 636,400</u>		<u>\$ 7,697,800</u>

The bonds were approved by the Board of Education at the April 20, 2015 meeting to be used to refund two prior bond issuances. The bonds will carry interest rates of 4.00%.

**KENT CITY COMMUNITY SCHOOLS
BONDED DEBT
JUNE 30, 2022**

\$17,575,000 School building and site bonds issued February 19, 2020.

Principal Due May 1	Interest Due		Debt Service Requirement for Fiscal Year	
	May 1	November 1	June 30,	Amount
\$ 205,000	\$ 428,925	\$ 428,925	2023	\$ 1,062,850
210,000	424,825	424,825	2024	1,059,650
215,000	420,625	420,625	2025	1,056,250
215,000	416,325	416,325	2026	1,047,650
220,000	412,025	412,025	2027	1,044,050
225,000	407,625	407,625	2028	1,040,250
230,000	402,000	402,000	2029	1,034,000
235,000	396,250	396,250	2030	1,027,500
240,000	390,375	390,375	2031	1,020,750
580,000	384,375	384,375	2032	1,348,750
610,000	369,875	369,875	2033	1,349,750
640,000	354,625	354,625	2034	1,349,250
670,000	338,625	338,625	2035	1,347,250
700,000	321,875	321,875	2036	1,343,750
730,000	304,375	304,375	2037	1,338,750
765,000	286,125	286,125	2038	1,337,250
800,000	267,000	267,000	2039	1,334,000
840,000	247,000	247,000	2040	1,334,000
880,000	226,000	226,000	2041	1,332,000
925,000	204,000	204,000	2042	1,333,000
970,000	180,875	180,875	2043	1,331,750
1,040,000	156,625	156,625	2044	1,353,250
1,045,000	130,625	130,625	2045	1,306,250
1,045,000	104,500	104,500	2046	1,254,000
1,045,000	78,375	78,375	2047	1,201,750
1,045,000	52,250	52,250	2048	1,149,500
1,045,000	26,125	26,125	2049	1,097,250
<u>\$ 17,370,000</u>	<u>\$ 7,732,225</u>	<u>\$ 7,732,225</u>		<u>\$ 32,834,450</u>

The bonds were approved by the Board of Education at the November 5, 2019 meeting for school building and site purposes. The bonds will carry interest rates ranging from 4.00% to 5.00%.

**KENT CITY COMMUNITY SCHOOLS
BONDED DEBT
JUNE 30, 2022**

\$7,045,000 Refunding bonds issued February 19, 2020.

Principal Due May 1	Interest Due		Debt Service Requirement for Fiscal Year	
	May 1	November 1	June 30,	Amount
\$ 275,000	\$ 75,366	\$ 75,366	2023	\$ 425,732
325,000	72,865	72,865	2024	470,730
380,000	69,791	69,790	2025	519,581
415,000	66,006	66,005	2026	547,011
470,000	61,679	61,679	2027	593,358
530,000	56,662	56,662	2028	643,324
590,000	50,784	50,784	2029	691,568
655,000	44,094	44,093	2030	743,187
720,000	36,502	36,502	2031	793,004
1,125,000	27,978	27,977	2032	1,180,955
1,165,000	14,376	14,376	2033	1,193,752
<u>\$ 6,650,000</u>	<u>\$ 576,103</u>	<u>\$ 576,099</u>		<u>\$ 7,802,202</u>

The bonds were approved by the Board of Education at the November 5, 2019 meeting to refinance a portion of the principal and interest relating to borrowings from the State of Michigan through the school bond loan fund and school loan revolving fund. The bonds will carry interest rates from 1.82% to 2.47%.

KENT CITY COMMUNITY SCHOOLS
SCHEDULE OF BORROWINGS - STATE OF MICHIGAN
SCHOOL BOND LOAN PROGRAMS
JUNE 30, 2022

Amounts needed for the payment of bond principal and interest in excess of receipts from property taxes is borrowed from the Michigan School Bond Loan Program (SBLP). These two programs are the School Bond Loan Fund (SBLF) and the School Loan Revolving Fund (SLRF). These loans, together with accrued interest payable thereon, are to be repaid when the debt retirement millage rate provides funds in excess of the amounts needed to pay current bond maturities and interest. The borrowings from the State of Michigan under these programs are summarized as follows:

Year Ended June 30,	SBLF			SLRF		
	Net Loan Proceeds (Repayments)	Net Interest Accrued (Repayments)	Total	Net Loan Proceeds (Repayments)	Net Interest Accrued (Repayments)	Total
Prior to July 1, 2012	\$ 2,316,477	\$ 1,138,992	\$ 3,455,469	\$ 2,152,084	\$ 385,459	\$ 2,537,543
2013	-	150,130	150,130	161,097	80,673	241,770
2014	-	126,991	126,991	109,831	98,839	208,670
2015	-	128,675	128,675	174,562	104,155	278,717
2016	-	131,556	131,556	-	111,327	111,327
2017	-	126,805	126,805	-	106,688	106,688
2017	-	-	-	(109,831)	(25,216)	(135,047)
2018	-	129,591	129,591	-	105,049	105,049
2018	-	-	-	(81,814)	(18,186)	(100,000)
2019	-	140,811	140,811	-	110,857	110,857
2019	-	-	-	(92,748)	(157,252)	(250,000)
2020	-	98,549	98,549	-	66,644	66,644
2020	(1,897,431)	(2,170,351)	(4,067,782)	(2,313,181)	(969,037)	(3,282,218)
2021	-	12,673	12,673	515,984	7,589	523,573
2022	-	11,036	11,036	14,519	13,393	27,912
Total	<u>\$ 419,046</u>	<u>\$ 25,458</u>	<u>\$ 444,504</u>	<u>\$ 530,503</u>	<u>\$ 20,982</u>	<u>\$ 551,485</u>

**KENT CITY COMMUNITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022**

Federal Grantor/Pass-through Grantor/ Program Title	Federal Assistance Listing Number	Pass-through Grantor Number	Program or Award Amount	Accrued Revenue 7/1/2021	Prior Year Expenditures (Memorandum Only)	Current Year Expenditures	Adjustments	Current Year Receipts	Accrued Revenue 6/30/2022
U.S. DEPARTMENT OF AGRICULTURE									
Passed through the Michigan Department of Education									
Child Nutrition Cluster									
Non-Cash Assistance (Donated Foods)									
Entitlement Donated Foods	10.555	N/A	\$ 63,469	\$ -	\$ 53,554	\$ 63,469	\$ -	\$ 63,469	\$ -
Cash Assistance									
COVID-19 - National School Lunch Program	10.555	211961	102,782	-	-	102,782	-	102,782	-
		211965	5,337	-	-	5,337	-	5,337	-
		220910	27,025	-	-	27,025	-	27,025	-
		221961	610,018	-	-	614,138	-	610,018	4,120
Total ALN 10.555			808,631	-	53,554	812,751	-	808,631	4,120
COVID-19 - National School Breakfast Program	10.553	211971	30,621	-	-	30,621	-	30,621	-
		221971	215,324	-	-	218,069	-	215,324	2,745
Total ALN 10.553			245,945	-	-	248,690	-	245,945	2,745
COVID-19 - Summer Food Service Program for Children	10.559	210904	738,213	24,895	693,814	49,798	-	69,295	5,398
Total Child Nutrition Cluster			1,792,789	24,895	747,368	1,111,239	-	1,123,871	12,263
Child and Adult Care Food Program									
	10.558	211920	5,369	-	4,809	560	-	560	-
		211925	349	-	-	349	-	349	-
		221920	5,702	-	-	5,728	-	5,702	26
Total ALN 10.558			11,420	-	4,809	6,637	-	6,611	26
Pandemic EBT Local Level Costs	10.649	210980	614	-	-	614	-	614	-
TOTAL U.S. DEPARTMENT OF AGRICULTURE			1,804,823	24,895	752,177	1,118,490	-	1,131,096	12,289

The accompanying notes are an integral part of this schedule.

KENT CITY COMMUNITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

Federal Grantor/Pass-through Grantor/ Program Title	Federal Assistance Listing Number	Pass-through Grantor Number	Program or Award Amount	Accrued Revenue 7/1/2021	Prior Year Expenditures (Memorandum Only)	Current Year Expenditures	Adjustments	Current Year Receipts	Accrued Revenue 6/30/2022
U.S. DEPARTMENT OF EDUCATION									
Passed through the Michigan Department of Education									
Title I Grants to Local Educational Agencies	84.010	211530-2021 221530-2122	\$ 211,626 203,828	\$ 31,626 -	\$ 211,626 -	\$ - 203,828	\$ - -	\$ 31,626 -	\$ - 203,828
Total ALN 84.010			415,454	31,626	211,626	203,828	-	31,626	203,828
Migrant Education State Grant Program	84.011	211830-2021 211890-2021 221830-2122 221890-2122	258,102 65,699 281,947 81,873	161,745 48,827 - -	277,097 64,481 - -	56,250 - 145,855 47,764	- (48,827) - -	217,995 - - -	- - 145,855 47,764
Total ALN 84.011			687,621	210,572	341,578	249,869	(48,827)	217,995	193,619
Education for Homeless Children and Youth	84.196	222320-2122	818	-	-	818	-	818	-
English Learning Acquisition State Grants	84.365	210570-2021 210580-2021 220580-2122	1,720 30,166 30,933	1,720 16,670 -	1,720 16,670 -	- 1,968 3,603	- - -	1,720 18,638 -	- - 3,603
Total ALN 84.365			62,819	18,390	18,390	5,571	-	20,358	3,603
Supporting Effective Instruction State Grants	84.367	210520-2021 220520-2122	70,255 43,508	15,255 -	70,872 -	- 38,449	- -	15,255 -	- 38,449
Total ALN 84.367			113,763	15,255	70,872	38,449	-	15,255	38,449
Student Support and Academic Enrichment Program	84.424	210750-2021 220750-2122	23,993 14,864	23,993 -	23,993 -	- 2,365	- -	23,993 -	- 2,365
Total ALN 84.424			38,857	23,993	23,993	2,365	-	23,993	2,365
Education Stabilization Fund									
COVID-19 Governor's Emergency Education Relief Funds (GEER I Teacher and Support Staff Payments)	84.425C	201200-2021	99,437	99,437	99,437	-	-	99,437	-
COVID-19 Governor's Emergency Education Relief Funds (GEER II Teacher and Support Staff Payments)	84.425C	211202-2122	33,000	-	-	33,000	-	33,000	-
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER Formula Funds I)	84.425D	203710-1920	166,840	34,045	159,045	6,186	-	40,231	-
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER Formula Funds II)	84.425D	213712-2021	700,291	-	-	700,291	-	363,580	336,711

The accompanying notes are an integral part of this schedule.

**KENT CITY COMMUNITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022**

Federal Grantor/Pass-through Grantor/ Program Title	Federal Assistance Listing Number	Pass-through Grantor Number	Program or Award Amount	Accrued Revenue 7/1/2021	Prior Year Expenditures (Memorandum Only)	Current Year Expenditures	Adjustments	Current Year Receipts	Accrued Revenue 6/30/2022
U.S. DEPARTMENT OF EDUCATION (continued)									
Passed through the Michigan Department of Education (continued)									
Education Stabilization Fund (continued)									
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER II Credit Recovery 9-12)	84.425D	213742-2122	\$ 48,400	\$ -	\$ -	\$ 7,368	\$ -	\$ 7,368	\$ -
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER II Summer Program K-8)	84.425D	213722-2122	132,000	-	-	132,000	-	132,000	-
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER III Formula Funds)	84.425U	213713-2122	1,573,874	-	-	523,472	-	-	523,472
Total ALN 84.425			2,753,842	133,482	258,482	1,402,317	-	675,616	860,183
Total Passed through the Michigan Department of Education			4,073,174	433,318	924,941	1,903,217	(48,827)	985,661	1,302,047
Passed through Kent Intermediate School District									
Special Education Cluster									
Special Education Grants to States	84.027A	220450-2122	280,558	-	-	280,558	-	280,558	-
COVID-19 - Special Education Grants to States	84.027X	221280-2122	33,111	-	-	33,111	-	10,503	22,608
Total ALN 84.027			313,669	-	-	313,669	-	291,061	22,608
Special Education Preschool Grant	84.173A	210460-2021	14,479	-	-	14,479	-	14,479	-
COVID-19 - Special Education Preschool Grants 21/22 ARP	84.173X	220460-2122	3,595	-	-	3,595	-	3,595	-
Total ALN 84.173			18,074	-	-	18,074	-	18,074	-
Total Special Education Cluster			331,743	-	-	331,743	-	309,135	22,608
Total Passed through Kent Intermediate School District			331,743	-	-	331,743	-	309,135	22,608
TOTAL U.S. DEPARTMENT OF EDUCATION			4,404,917	433,318	924,941	2,234,960	(48,827)	1,294,796	1,324,655
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES									
Passed through Kent Intermediate School District									
Medicaid Cluster									
Medicaid Outreach	93.778	2021-2022	3,626	-	-	3,626	-	3,626	-
Loan Repayment Program for General Research	93.232	N/A	25,943	-	-	25,943	-	25,943	-
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			29,569	-	-	29,569	-	29,569	-
TOTAL FEDERAL AWARDS			\$ 6,239,309	\$ 458,213	\$ 1,677,118	\$ 3,383,019	\$ (48,827)	\$ 2,455,461	\$ 1,336,944

The accompanying notes are an integral part of this schedule.

**KENT CITY COMMUNITY SCHOOLS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022**

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Kent City Community Schools under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Kent City Community Schools, it is not intended to and does not present the financial position or changes in net position of Kent City Community Schools.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3 - RECONCILIATION WITH AUDITED FINANCIAL STATEMENTS

Federal expenditures are reported as revenue in the following funds in the financial statements June 30, 2022:

General fund	\$ 2,215,702
Other nonmajor governmental funds	<u>1,122,208</u>
Total federal revenue in the fund financial statements	3,337,910
Add: Federal assistance repaid in the current year	48,827
Less: Federal assistance funding not subject to single audit act	<u>(3,718)</u>
Expenditures per schedule of expenditures of federal awards	<u><u>\$ 3,383,019</u></u>



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

☎ 517.323.7500

🖨 517.323.6346

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Education
Kent City Community Schools

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Kent City Community Schools as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Kent City Community Schools' basic financial statements and have issued our report thereon dated October 21, 2022.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. During our audit we did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as 2022-001 and 2022-002, that we consider to be a material weakness and significant deficiency, respectively.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Kent City Community Schools' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed the following instances of noncompliance or other matters, identified as 2022-001 and 2022-002, that are required to be reported under *Government Auditing Standards*.

The District's Responses to Findings

Kent City Community Schools' responses to the findings identified in our audit are described in the accompanying corrective action plan. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on them.

Purpose of this Report

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

Maney Costeiran PC

October 21, 2022



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

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

To the Board of Education
Kent City Community Schools

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Kent City Community Schools' compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Kent City Community Schools' major federal programs for the year ended June 30, 2022. Kent City Community Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Kent City Community Schools complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as 2022-003, that we consider to be a significant deficiency.

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

The District's Response to Finding

Kent City Community Schools' response to the noncompliance finding identified in our audit is described in the accompanying corrective action plan. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

Purpose of the Report

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

Maney Costeiran PC

October 21, 2022

**KENT CITY COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022**

Section I - Summary of Auditor's Results

Financial Statements

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

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? X Yes None
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? X Yes None reported

Noncompliance material to financial statements noted? X Yes None

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes X None
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? X Yes None reported

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

Unmodified

Any audit findings that are required to be reported in accordance with Title 2 CFR Section 200.516(a)?

 X Yes No

Identification of major programs:

<u>Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.425	Education Stabilization Fund
10.553, 10.555, 10.559	Child Nutrition Cluster

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

\$750,000

Auditee qualified as low-risk auditee?

 Yes X No

**KENT CITY COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022**

Section II - Financial Statement Findings

Finding 2022-001: Material Weakness - Bank Reconciliations and Audit Adjustments

Condition: Bank reconciliations were not performed on a timely basis during the course of the fiscal year and included inaccurate reconciling items. Material audit adjustments were proposed by the external auditor and recorded by the client where needed to reconcile the accounts.

Criteria: In order to maintain adequate internal controls and proper reporting, all bank accounts should be accurately reconciled and adjusted monthly. The reconciliations should be reviewed on a timely basis by a member of the business office.

Cause: Individuals responsible for reconciling and reviewing monthly activity did not complete their procedures properly.

Effect: Without completing and reviewing the reconciliations in a timely manner, inaccurate financial information may be used for management decisions and reporting.

Context: Cash accounts were not reconciled on a timely basis throughout the fiscal year. Reconciliations also contained inaccurate reconciling items. This led to significant audit journal entries, necessary to adjust related accounts to correct balances as of June 30, 2022.

Recommendation: The District should implement a month end procedure checklist to ensure all cash accounts, as well as all balance sheet accounts, are reconciled within 30 days of month end.

District's Response: The District agrees with the finding and will continue to establish procedures for monthly reconciliations.

Finding 2022-002: Significant Deficiency - Budget Variations

Criteria: The Uniform Budgeting and Accounting Act requires the District to amend the original adopted budget "as soon as it becomes apparent that a deviation from the original general appropriations act is necessary and the amount of the deviation can be determined". The Act also states that "an administrative officer of the local unit shall not incur expenditures against an appropriation account in excess of the amount appropriated by the legislative body".

Condition: During our review of the District's compliance with the budgeting act, we noted that expenditures had exceeded the amounts appropriated in certain areas, and in total, within the General Fund. This was the result of turnover within the administration office as well as a lack of timely and accurate bank reconciliations as discussed in Financial Statement Finding 2022-001.

Cause: The primary reason was not properly budgeting expenditures based on the uncertainty surrounding the academic environment stemming from the COVID-19 pandemic.

Effect: The District has not maintained adequate control over budgetary compliance in accordance with State law in the certain areas where the overages occurred.

**KENT CITY COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022**

Section II - Financial Statement Findings (continued)

Finding 2022-002: Significant Deficiency - Budget Variations (continued)

Recommendation: We recommend the District continue to monitor budgeted expenditures against actual expenditures to alleviate future unfavorable budget variances and make appropriate budget amendments as needed.

District's Response: The District concurs with the facts of this finding and is implementing procedures to prevent this in the future.

Section III - Federal Award Findings

Finding 2022-003: Significant Deficiency - Excess Fund Balance

Federal Program:	Child Nutrition Cluster
CFDA #:	10.553, 10.555, and 10.559
Federal Agency:	U.S. Department of Agriculture
Pass-through entity:	Michigan Department of Education
Pass-through number:	211961, 220910, 221961, 211971, 221971, 210904

Criteria: The District's fund balance in the food service fund is required to be less than three months of food service expenditures.

Condition: Kent City Community Schools currently has more than the allowable fund balance in the non-profit food service fund. As a result, the District will be required to develop a spending plan to reduce the balance to an acceptable level during 2022-2023 school year. The plan must be submitted to the Michigan Department of Education prior to implementation. Excess fund cannot be transferred to the general fund.

Questioned Costs: None.

Cause: The District participated in seamless summer option meal reimbursements from July through June causing a larger than normal increase in the food service fund balance.

Effect: At June 30, 2022, the District's food service fund balance was greater than three months of expenditures.

Recommendation: The District should implement a budget, as well as the required corrective action plan, for the 2022-2023 school year that will adequately reduce the food service fund balance.

District's Response: The District concurs with the facts of this finding and is implementing procedures to prevent this in the future.



Kent City Community Schools
*Kent City Community Schools provides a nurturing learning
environment and educates all students to be lifelong learners.*

**KENT CITY COMMUNITY SCHOOLS
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2022**

Kent City Community Schools respectfully submits the following corrective action plan for the year ended June 30, 2022.

Auditor: Maner Costerisan
2425 E. Grand River Ave., Suite 1
Lansing, Michigan 48912

Audit Period: Year ended June 30, 2022

District Contact Person: Bill Crane, Superintendent

The findings from the June 30, 2022 Schedule of Findings and Responses are discussed below. The findings are numbered consistently with the number assigned in the schedule.

Finding - Financial Statement Findings

Finding 2022-001: Material Weakness - Bank Reconciliations and Audit Adjustments

Recommendation: The District should implement a month end procedure checklist to ensure all cash accounts, as well as all balance sheet accounts, are reconciled within 30 days of month end.

Actions to be taken: The District agrees with the finding and will continue to establish procedures for monthly reconciliations. Bank reconciliations will be completed timely. A designated individual from the business office will properly review bank reconciliations within 30 days of month end. Inconsistencies and recurring reconciling items will be investigated and cleared in a timely manner.

Finding 2022-002: Significant Deficiency - Budget Variations

Recommendation: The District should continuously monitor budgeted expenditures against actual expenditures to alleviate future unfavorable budget variances and make appropriate budget amendments as needed.

Action to be taken: Management agrees with the finding and the following corrective action plan will be taken in order to ensure continuous monitoring of the budgeted expenditures. The business office will communicate monthly to the Superintendent and the board of education regarding the year-to-date expenditures as the budget to actuals are compared. The board of education will continue to adopt their mid-year amendment and the final amendment in June. Additional time and effort will be spent by the business office at year end to cut off all purchasing by June 30 so that the final budget will accurately reflect the expenditures of the fiscal year.



Kent City Community Schools
*Kent City Community Schools provides a nurturing learning
environment and educates all students to be lifelong learners.*

**KENT CITY COMMUNITY SCHOOLS
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2022**

Finding - Federal Award Findings and Questioned Costs

Finding 2022-003: Significant Deficiency - Excess Fund Balance

Recommendation: The District should implement a budget, as well as the required corrective action plan, for the 2022-2023 school year that will adequately reduce the food service fund balance.

Action to be taken: Management agrees with the finding and we are in the process of developing a spend down plan. We are looking at expanding food choices, expanding healthy food options, as well as needed upgrades to equipment.

**KENT CITY COMMUNITY SCHOOLS
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2022**

Section II - Financial Statement Findings

Finding 2021-001: Material Weakness - Audit Adjustments

Condition: Account reconciliations were not performed on a timely basis during the course of the fiscal year for certain balance sheet accounts, for all funds. Material audit adjustments were proposed by the external auditor and recorded by the client where needed to reconcile the accounts.

Criteria: In order to maintain adequate internal controls and proper reporting, all accounts should be reconciled and adjusted monthly (especially the balance sheet accounts). The reconciliations should be completed and reviewed on a timely basis.

Cause: Individuals responsible for reconciling and reviewing monthly activity did not complete their procedures.

Effect: Without completing and reviewing the reconciliations in a timely manner, inaccurate financial information may be used for management decisions and reporting.

Context: Cash, and other balance sheet accounts, were not reconciled on a timely basis throughout the fiscal year. This led to significant audit journal entries, necessary to adjust related accounts to the correct balance at June 30, 2021. In addition, multiple audit entries were needed to properly reflect accrual accounting principles.

Recommendation: The District should implement a month end procedure checklist to ensure all balance sheet accounts are reconciled within 30 days of month end.

District's Response: The District agrees with the finding and will continue to establish procedures for monthly reconciliations.

Status: As of the fiscal year ended June 30, 2022, this finding has not been resolved. See Financial Statement Findings 2022-001.

**KENT CITY COMMUNITY SCHOOLS
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2022**

Section III - Federal Award Findings and Questioned Costs

Finding 2021-002: Material Weakness - Time and Effort Reporting

Finding Type: Material weakness in internal control over compliance and noncompliance with laws and regulations.

Program(s) Impacted: Special Education Clusters - 84.027 I.D.E.A. Flowthrough; 84.173 I.D.E.A. Preschool

Condition: The District did not maintain adequate support documentation to substantiate salaries and wages charged to the Special Education Cluster resulting in period of ineffective or absent controls.

Criteria: 2 CFR 200.430(i) requires that charges to Federal awards for salaries and wages be based on records that accurately reflect the work performed. Among other requirements identified in this section, these records must (i) be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated, and (v) comply with the established accounting policies and practices of the District.

Cause: The District did not have clearly defined written procedures related to time and effort reporting.

Effect: The District is unable to adequately support the accuracy of all payroll expenditures charged to the grant.

Questioned Costs: \$25,833

Context: Semi-annual time certifications, the District's method of documenting support staff salaries and wages charge to the grant, were not prepared and approved for the audit period under review. No alternative method was utilized to support that charges were accurate, allowable, or properly allocated.

Recommendation: We recommend that the District clarify and adhere to documented time and effort reporting procedures and maintain effective internal controls that ensure salaries and wages allocated to the Special Education Cluster are based on records that accurately reflect the work performed.

District's Response: The District agrees with the finding and will continue to establish effective controls to ensure time and effort reporting is consistent with the District policies, and that all charges to the grant are adequately supported.

Status: As of the fiscal year ended June 30, 2022, this finding has been resolved.