

KENT CITY COMMUNITY SCHOOLS
REPORT ON FINANCIAL STATEMENTS
(with required and additional
supplementary information)
YEAR ENDED JUNE 30, 2025



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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, 2025, 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, 2025, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of 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.

Change in Accounting Principle

As discussed in Note 12 to the financial statements, the District adopted GASB Statement No. 101, *Compensated Absences*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about 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, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2025 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.

Maner Costain PC

October 13, 2025

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, 2025. Please read it in conjunction with the District's financial statements which immediately follow this section. A comparative analysis with the prior year has been provided.

District-wide Financial Statements

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

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

Fund Financial Statements

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

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

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

KENT CITY COMMUNITY SCHOOLS MANAGEMENT'S DISCUSSION & ANALYSIS

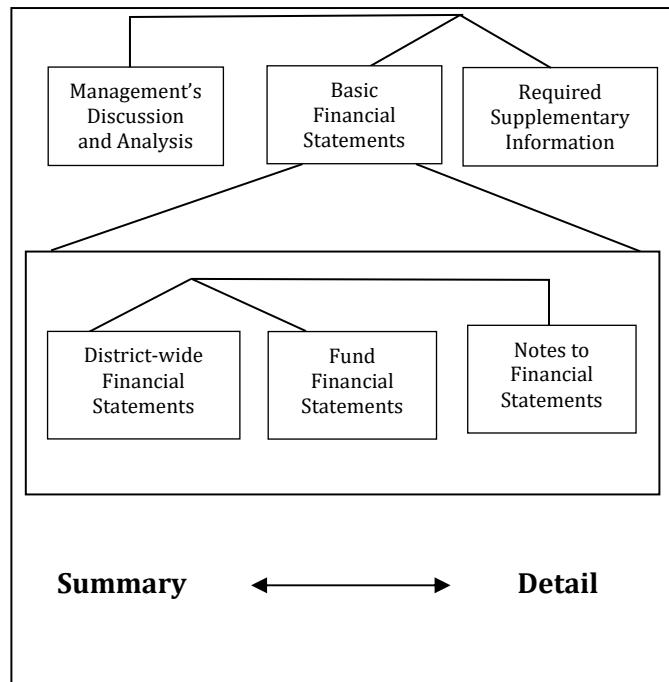
OVERVIEW OF THE FINANCIAL STATEMENTS

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 as well as required schedules related to the net pension liability and net OPEB asset. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-1
Organization of 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 shown below as of June 30, 2025.

Kent City Community Schools' Net Position		
	2025	2024*
Current assets	\$ 9,317,616	\$ 9,149,241
Net other postemployment benefits asset	3,072,953	403,440
Capital assets	<u>28,572,150</u>	<u>30,046,558</u>
 Total assets	 <u>40,962,719</u>	 <u>39,599,239</u>
 Deferred outflows of resources	 <u>6,426,537</u>	 <u>8,057,005</u>
 Long-term obligations	 31,889,490	 33,247,634
Net pension liability	17,576,639	22,975,787
Other liabilities	<u>2,732,184</u>	<u>2,822,330</u>
 Total liabilities	 <u>52,198,313</u>	 <u>59,045,751</u>
 Deferred inflows of resources	 <u>10,254,588</u>	 <u>7,789,500</u>
 Net position		
Net investment in capital assets	(436,426)	(295,027)
Restricted for capital projects (sinking fund)	398,981	74,363
Restricted for net other postemployment benefits	3,072,953	403,440
Restricted for debt service	176,727	-
Unrestricted	<u>(18,275,880)</u>	<u>(19,361,783)</u>
 Total net position	 <u>\$ (15,063,645)</u>	 <u>\$ (19,179,007)</u>

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

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

Changes in Kent City Community Schools' Net Position		
	2025	2024*
Revenues		
Program revenues		
Charges for services	\$ 329,054	\$ 332,072
Operating grants and contributions	7,291,520	7,966,333
General revenues		
Property taxes	3,947,698	3,375,221
Investment earnings	97,991	36,304
State sources	10,921,702	11,311,608
Intermediate sources	1,693,787	1,677,476
Other	53,767	30,682
	<hr/>	<hr/>
Total revenues	<hr/> 24,335,519	<hr/> 24,729,696
Expenses		
Instruction	8,471,627	9,423,805
Support services	9,041,173	9,332,028
Community services and shared time	132,080	307,052
Food services	1,073,465	1,069,027
Student/school activities	292,527	295,976
Interest on long-term debt	1,062,989	1,098,787
	<hr/>	<hr/>
Total expenses	<hr/> 20,073,861	<hr/> 21,526,675
Change in net position	<hr/> \$ 4,261,658	<hr/> \$ 3,203,021

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

STATE OF MICHIGAN UNRESTRICTED AID (State Foundation Grant)

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

- a. The Michigan State Aid Act per student foundation allowance which was established under Proposal A has increased from \$4,623 per student in 1995 to \$9,608 per student in 2024-2025. The per student State foundation allowance remained consistent as compared to the prior year.
- b. The District's non-homestead levy for 2024-2025 was 17.7258 mills which the voters approved in May of 2022.

Student Enrollment

Student enrollment decreased from 1,240 in 2023-2024 to 1,237 in 2024-2025. For the subsequent school year, it is hopeful that enrollment will remain consistent with 2024-2025.

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

GOVERNMENTAL FUNDS

Results of Operations

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

	2025	2024
REVENUES		
Local sources		
Property taxes	\$ 3,947,698	\$ 3,375,221
Investment earnings	97,991	36,304
Food sales	68,381	30,387
Student/school activities	304,355	301,270
Other	<u>294,806</u>	<u>333,864</u>
Total local sources	4,713,231	4,077,046
State sources	15,499,496	16,240,265
Federal sources	1,982,303	2,239,565
Intermediate sources	<u>1,693,787</u>	<u>1,677,476</u>
TOTAL REVENUES	<u>\$ 23,888,817</u>	<u>\$ 24,234,352</u>
EXPENDITURES		
Current		
Instruction	\$ 9,717,918	\$ 9,453,544
Supporting services	9,734,203	8,963,329
Food service activities	1,202,292	1,254,672
Student/school activities	292,527	295,976
Community service activities	114,516	280,711
Capital outlays	-	768,771
Debt service		
Principal	1,603,835	1,260,000
Interest	1,259,063	1,223,180
Other	<u>1,500</u>	<u>1,497</u>
TOTAL EXPENDITURES	<u>\$ 23,925,854</u>	<u>\$ 23,501,680</u>

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

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

- State sources decreased largely due to a decrease in the UAAL rate stabilization funding.
- Federal sources decreased due to Elementary and Secondary School Emergency Relief Funds sunsetting in the current year. The district has fully spent all ESSER funds.
- Expenses increased from \$23.5 million in 2024 to \$23.9 million in 2025, an increase of approximately \$400 thousand. The increase is due to additional funds spent on instruction and supporting services, and principal repayments which were partially offset by a reduction in capital outlays.

GENERAL FUND AND BUDGET HIGHLIGHTS

Original vs. Final Budget

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

The 2024-2025 budget was revised two times throughout the fiscal year, with the final revision approved in June 2025. The final budget revision anticipated higher revenues and higher expenditures than was expected in June 2024 when the original budget was approved. The increase in revenues was a result of receiving more intermediate school district and local funding than anticipated. The increase in expenditures was the result of additional instruction and supporting service expenditures to meet operational needs.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2025, the District had invested \$61.9 million in a broad range of capital assets.

Kent City Community Schools' Capital Assets					
	2025			2024	
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value	
Land	\$ 109,066	\$ -	\$ 109,066	\$ 109,066	
Land improvements	3,198,096	2,213,664	984,432	1,048,206	
Buildings and improvements	54,124,855	27,559,764	26,565,091	27,910,129	
Furniture and equipment	1,968,310	1,569,257	399,053	502,213	
Vehicles	2,508,707	1,994,199	514,508	476,944	
Total	\$ 61,909,034	\$ 33,336,884	\$ 28,572,150	\$ 30,046,558	

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

Long-term Obligations

At year-end, the District had \$31.9 million in long-term obligations, an approximately \$1.36 million decrease when compared to the prior year. The District paid down its outstanding bonds with principal payments of \$1.31 million.

Kent City Community Schools Outstanding Long-Term Obligations		
	2025	2024*
General obligation bonds - net	\$ 30,332,807	\$ 31,824,899
Compensated absences	273,529	118,859
Notes from direct borrowings and direct placements	<u>1,283,154</u>	<u>1,303,876</u>
	<hr/> <u>\$ 31,889,490</u>	<hr/> <u>\$ 33,247,634</u>

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

FACTORS BEARING ON THE DISTRICT'S FUTURE

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

The School District's Board of Education and administration considered many factors when finalizing the School District's 2025-26 budget. The 2025-26 budget was adopted in June 2025, based on an estimate of 1,210 students that will be enrolled in October 2025 and estimated per pupil funding. The 2025-26 budget was approved at a \$300 per pupil increase. The state of Michigan has not yet completed the state budget for 2025-26. Based on early enrollment data at the start of the 2025-26 school year, it is anticipated that the fall student count will be higher than the estimates used in creating the 2025-26 budget. The District's 2025-26 Approved budget will be amended after the first of the year.

The District will continue to monitor state tax collections as Michigan. The majority of the District's revenue stream is from State revenues. Without the State of Michigan approved budget for the 2025-26 school year in place, the District will have to pay attention to potential of lower than expected revenues. Other issues from rising inflation around the country could affect our 2025-26 budget.

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, 2025

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 5,775,595
Receivables	
Accounts receivable	597
Intergovernmental	3,058,940
Inventories	7,601
Prepays	38,664
Restricted cash and cash equivalents - capital projects	436,219
Net other postemployment benefits asset	3,072,953
Capital assets not being depreciated	109,066
Capital assets, net of accumulated depreciation	<u>28,463,084</u>
	<u>40,962,719</u>
TOTAL ASSETS	<u>40,962,719</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding	50,782
Related to pensions	5,626,451
Related to other postemployment benefits	<u>749,304</u>
	<u>6,426,537</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>6,426,537</u>
LIABILITIES	
Accounts payable	129,372
Accrued salaries and related items	813,698
Accrued retirement	508,252
Unearned revenue	967,629
Accrued interest	189,144
Noncurrent liabilities	
Due within one year	1,387,353
Due in more than one year	30,502,137
Accrued interest due in more than one year	124,089
Net pension liability	<u>17,576,639</u>
	<u>52,198,313</u>
TOTAL LIABILITIES	<u>52,198,313</u>
DEFERRED INFLOWS OF RESOURCES	
Related to pensions	5,204,081
Related to other postemployment benefits	4,077,001
Related to state aid funding for pension	<u>973,506</u>
	<u>10,254,588</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>10,254,588</u>
NET POSITION	
Net investment in capital assets	(436,426)
Restricted for capital projects (sinking fund)	398,981
Restricted for net other postemployment benefits	3,072,953
Restricted for debt service	176,727
Unrestricted	<u>(18,275,880)</u>
	<u>\$ (15,063,645)</u>
TOTAL NET POSITION	<u>\$ (15,063,645)</u>

See notes to financial statements.

KENT CITY COMMUNITY SCHOOLS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2025

Functions/Programs	Expenses	Program Revenues		Net (expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental activities				
Instruction	\$ 8,471,627	\$ 96,507	\$ 4,629,025	\$ (3,746,095)
Support services	9,041,173	82,455	1,157,257	(7,801,461)
Community services and shared time	132,080	81,711	-	(50,369)
Food services	1,073,465	68,381	1,200,883	195,799
Student/school activities	292,527	-	304,355	11,828
Interest on long-term debt	<u>1,062,989</u>	<u>-</u>	<u>-</u>	<u>(1,062,989)</u>
Total governmental activities	<u>\$ 20,073,861</u>	<u>\$ 329,054</u>	<u>\$ 7,291,520</u>	<u>(12,453,287)</u>
General revenues				
Property taxes, levied for general purposes				887,093
Property taxes, levied for debt service				2,741,978
Property taxes, levied for capital projects (sinking fund)				318,627
Investment earnings				97,991
State sources, unrestricted				10,921,702
Intermediate sources				1,693,787
Other				<u>53,767</u>
Total general revenues				<u>16,714,945</u>
CHANGE IN NET POSITION				
NET POSITION, beginning of year, as previously stated				(19,179,007)
Adjustment to beginning net position				<u>(146,296)</u>
NET POSITION, beginning of year, as restated				<u>(19,325,303)</u>
NET POSITION, end of year				<u>\$ (15,063,645)</u>

See notes to financial statements.

KENT CITY COMMUNITY SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2025

	General Fund	Total Nonmajor Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 4,497,511	\$ 1,278,084	\$ 5,775,595
Receivables			
Accounts receivable	597	-	597
Due from other funds	176,755	-	176,755
Intergovernmental	3,047,089	11,851	3,058,940
Inventories	-	7,601	7,601
Prepays	36,274	2,390	38,664
Restricted cash and cash equivalents - capital projects	-	436,219	436,219
TOTAL ASSETS	<u>\$ 7,758,226</u>	<u>\$ 1,736,145</u>	<u>\$ 9,494,371</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 127,450	\$ 1,922	\$ 129,372
Due to other funds	-	176,755	176,755
Accrued salaries and related items	813,698	-	813,698
Accrued retirement	508,252	-	508,252
Unearned revenue	964,042	3,587	967,629
TOTAL LIABILITIES	<u>2,413,442</u>	<u>182,264</u>	<u>2,595,706</u>
FUND BALANCES			
Nonspendable			
Inventories	-	7,601	7,601
Prepays	36,274	2,390	38,664
Restricted for:			
Debt service	-	365,871	365,871
Food service	-	502,361	502,361
Capital projects	-	398,981	398,981
Committed for:			
Community services	-	9,054	9,054
Student/school activities	-	267,623	267,623
Assigned for:			
Budgeted use of fund balance	710,321	-	710,321
Unassigned	4,598,189	-	4,598,189
TOTAL FUND BALANCES	<u>5,344,784</u>	<u>1,553,881</u>	<u>6,898,665</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 7,758,226</u>	<u>\$ 1,736,145</u>	<u>\$ 9,494,371</u>

See notes to financial statements.

KENT CITY COMMUNITY SCHOOLS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE
SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2025

Total governmental fund balances \$ 6,898,665

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

Deferred outflows of resources - deferred charges on refunding	50,782
Deferred outflows of resources - related to pensions	5,626,451
Deferred inflows of resources - related to pensions	(5,204,081)
Deferred outflows of resources - related to other postemployment benefits	749,304
Deferred inflows of resources - related to other postemployment benefits	(4,077,001)
Deferred inflows of resources - related to state aid funding for pensions	(973,506)

Some assets are not current financial resources and therefore are not reported in the Governmental Funds Balance Sheet.

Noncurrent assets at year-end consist of:

Net other postemployment benefits asset	3,072,953
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Capital assets used in governmental activities are not financial resources and are not reported in the funds:

The cost of capital assets is	\$ 61,909,034
Accumulated depreciation is	<u>(33,336,884)</u>
	28,572,150

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

General obligation bonds	(30,332,807)
Notes from direct borrowings and direct placements	(1,283,154)
Compensated absences	(273,529)
Accrued interest	(313,233)
Net pension liability	<u>(17,576,639)</u>

Net position of governmental activities \$ (15,063,645)

KENT CITY COMMUNITY SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2025

	General Fund	Total Nonmajor Funds	Total Governmental Funds
REVENUES			
Local sources			
Property taxes	\$ 887,093	\$ 3,060,605	\$ 3,947,698
Investment earnings	72,706	25,285	97,991
Food sales	-	68,381	68,381
Student/school activities	-	304,355	304,355
Other	<u>251,112</u>	<u>43,694</u>	<u>294,806</u>
Total local sources	1,210,911	3,502,320	4,713,231
State sources			
Federal sources	15,306,188	193,308	15,499,496
Intermediate school districts	<u>953,594</u>	<u>1,028,709</u>	<u>1,982,303</u>
	<u>1,693,787</u>	<u>-</u>	<u>1,693,787</u>
TOTAL REVENUES	<u>19,164,480</u>	<u>4,724,337</u>	<u>23,888,817</u>
EXPENDITURES			
Current			
Instruction	9,717,918	-	9,717,918
Supporting services	9,734,203	-	9,734,203
Community services and shared time	69,396	45,120	114,516
Food service activities	-	1,202,292	1,202,292
Student/school activities	-	292,527	292,527
Debt service			
Principal repayment	-	1,603,835	1,603,835
Interest	-	1,259,063	1,259,063
Other	<u>-</u>	<u>1,500</u>	<u>1,500</u>
TOTAL EXPENDITURES	<u>19,521,517</u>	<u>4,404,337</u>	<u>23,925,854</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(357,037)</u>	<u>320,000</u>	<u>(37,037)</u>
OTHER FINANCING SOURCES (USES)			
School loan revolving fund issuance	-	273,113	273,113
Transfers in	67,000	-	67,000
Transfers out	<u>-</u>	<u>(67,000)</u>	<u>(67,000)</u>
TOTAL OTHER FINANCING SOURCES	<u>67,000</u>	<u>206,113</u>	<u>273,113</u>
NET CHANGE IN FUND BALANCES	<u>(290,037)</u>	<u>526,113</u>	<u>236,076</u>
FUND BALANCES			
Beginning of year	<u>5,634,821</u>	<u>1,027,768</u>	<u>6,662,589</u>
End of year	<u>\$ 5,344,784</u>	<u>\$ 1,553,881</u>	<u>\$ 6,898,665</u>

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, 2025

Net change in fund balances total governmental funds \$ 236,076

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	(1,864,509)
Capital outlay	390,101

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	196,605
Accrued interest payable, end of the year	(189,144)

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	1,310,000
School loan revolving fund proceeds	(273,113)
School loan revolving fund repayments	293,835
Repayment (accrued) interest from school loan revolving fund and school bond loan fund netted	14,984
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, as restated	265,155
Accrued compensated absences, end of the year	(273,529)

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	2,290,962
Other postemployment benefits related items	1,242,404

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	448,202
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Change in net position of governmental activities \$ 4,261,658

**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 Fund*:

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 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. 2023-1.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation - Fund Financial Statements (continued)

Other Nonmajor Funds (continued):

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.

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).

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting (continued)

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.

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.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgetary Information (continued)

Budgetary Basis of Accounting (continued)

- 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 twice during the year. The final budget was approved prior to the June 30, 2025 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 three months or less from the date of acquisition.

Investments

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

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

**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)

- 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.

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	10 - 50 years
Furniture and equipment	3 - 10 years
Vehicles	5 - 10 years

**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)

Defined Benefit Plans

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

Deferred Outflows

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net assets that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District has 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 assets that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has 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.

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 \$1,283,154 are considered capital-related debt. Accrued interest on these funds of \$124,089 has been included in the calculation of unrestricted net position.

**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 (continued)

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, 2025, the outstanding balances were \$5,670,000. 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, 2025 is \$2,556,603.

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.

Compensated Absences

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

**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)

Long-term Obligations

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

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

Revenues and Expenditures/Expenses

Program Revenues

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

Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer. The actual due dates are September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity. For the year ended June 30, 2025, the District levied the following amounts per \$1,000 of assessed valuation:

<u>Fund</u>	<u>Mills</u>
General Fund	
Non-Principal Residence Exemption (PRE)	17.7258
Commercial Personal Property (CPP)	5.7258
Debt Service Fund	
PRE, Industrial Personal Property, Non-PRE, CPP	8.2500
Capital Projects Sinking Fund	
PRE, Industrial Personal Property, Non-PRE, CPP	0.9696

KENT CITY COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - DEPOSITS

As of June 30, 2025 the District had deposits subject to the following custodial credit risk, which is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2025, \$6,194,408 of the District's bank balance of \$6,444,408 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 \$6,211,814.

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

	<u>Primary Government</u>
Cash and cash equivalents	\$ 5,775,595
Restricted cash and cash equivalents - capital projects	<u>436,219</u>
	<u><u>\$ 6,211,814</u></u>

NOTE 3 - INTERGOVERNMENTAL RECEIVABLES

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

	<u>Government- wide</u>
State aid	\$ 2,807,570
Federal revenue	121,533
Other	<u>129,837</u>
	<u><u>\$ 3,058,940</u></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			Balance
	July 1, 2024	Additions	Deletions	June 30, 2025
Assets not being depreciated				
Land	\$ 109,066	\$ -	\$ -	\$ 109,066
Capital assets being depreciated				
Land improvements	3,183,676	14,420	-	3,198,096
Buildings and improvements	53,982,605	142,250	-	54,124,855
Furniture and equipment	1,995,163	56,686	83,539	1,968,310
Vehicles	2,331,962	176,745	-	2,508,707
Total capital assets being depreciated	61,493,406	390,101	83,539	61,799,968
Accumulated depreciation				
Land improvements	2,135,470	78,194	-	2,213,664
Buildings and improvements	26,072,476	1,570,827	83,539	27,559,764
Furniture and equipment	1,492,950	76,307	-	1,569,257
Vehicles	1,855,018	139,181	-	1,994,199
Total accumulated depreciation	31,555,914	1,864,509	83,539	33,336,884
Net capital assets being depreciated	29,937,492	(1,474,408)	-	28,463,084
Net governmental capital assets	<u>\$ 30,046,558</u>	<u>\$ (1,474,408)</u>	<u>\$ -</u>	<u>\$ 28,572,150</u>

Depreciation for the fiscal year ended June 30, 2025 amounted to \$1,864,509. The District allocated depreciation to the various activities as follows:

Instruction	\$ 963,951
Support services	775,636
Community services	31,697
Food service	93,225
	<u>\$ 1,864,509</u>

KENT CITY COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 5 - LONG-TERM OBLIGATIONS

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

	General Obligation Bonds	Notes from Direct Borrowings and Direct Placements	Compensated Absences*	Total
Balance July 1, 2024, as restated	\$ 31,824,899	\$ 1,303,876	\$ 265,155	\$ 33,393,930
Additions	-	273,113	8,374	281,487
Deletions	<u>(1,492,092)</u>	<u>(293,835)</u>	-	<u>(1,785,927)</u>
Balance June 30, 2025	30,332,807	1,283,154	273,529	31,889,490
Due within one year	<u>(1,360,000)</u>	-	<u>(27,353)</u>	<u>(1,387,353)</u>
Due in more than one year	<u>\$ 28,972,807</u>	<u>\$ 1,283,154</u>	<u>\$ 246,176</u>	<u>\$ 30,502,137</u>

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

Long-term obligations at June 30, 2025 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%.	\$ 4,255,000
2020 Refunding bonds due in annual installments of \$415,000 to \$1,165,000 through May 1, 2033, with interest rates ranging from 2.09% to 2.47%.	5,670,000
2020 School building and site bonds due in annual installments of \$215,000 to \$1,045,000 through May 1, 2049, with interest rates ranging from 4.00% to 5.00%.	16,740,000
Plus issuance premium	<u>3,667,807</u>
Total general obligation bonds	<u>30,332,807</u>

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 4.22% at June 30, 2025.	<u>1,283,154</u>
Total general obligation bonds and notes from direct borrowings and direct placement	31,615,961
Compensated absences	<u>273,529</u>
Total long-term obligations	<u>\$ 31,889,490</u>

KENT CITY COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 5 - LONG-TERM OBLIGATIONS (continued)

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 4.22% has been assessed for the year ended June 30, 2025. 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.

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

Year Ending June 30,	General Obligation Bonds			Notes from Direct Borrowings and Direct Placements			Other	Total
	Principal	Interest	Principal	Interest				
2026	\$ 1,360,000	\$ 1,134,861	\$ -	\$ -	\$ -	\$ -		\$ 2,494,861
2027	1,415,000	1,088,408	-	-	-	-		2,503,408
2028	1,470,000	1,040,574	-	-	-	-		2,510,574
2029	1,525,000	988,968	-	-	-	-		2,513,968
2030	1,585,000	935,887	-	-	-	-		2,520,887
2031 - 2035	6,435,000	3,860,861	-	-	-	-		10,295,861
2036 - 2040	3,835,000	2,852,750	-	-	-	-		6,687,750
2041 - 2045	4,860,000	1,796,250	-	-	-	-		6,656,250
2046 - 2049	4,180,000	522,500	-	-	-	-		4,702,500
	26,665,000	14,221,059	-	-	-	-		40,886,059
Issuance premium	3,667,807	-	-	-	-	-		3,667,807
Compensated absences	-	-	-	-	-	273,529		273,529
School loan revolving fund and school bond loan fund	-	-	1,283,154	124,089	-	-		1,407,243
	<u>\$ 30,332,807</u>	<u>\$ 14,221,059</u>	<u>\$ 1,283,154</u>	<u>\$ 124,089</u>	<u>\$ 273,529</u>	<u>\$ 46,234,638</u>		

Interest expense (all funds) for the year ended June 30, 2025 was approximately \$1,259,000.

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

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS

Plan Description

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

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

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

Benefits Provided - Overall

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

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

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%.

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

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension Reform 2010

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

Pension Reform 2012

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

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

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.

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

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension Reform 2012 (continued)

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

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

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

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

Pension Reform of 2017

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

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

Pension Reform of 2023

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

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

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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.

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.

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

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Employer Contributions

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

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

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

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:

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

The District's pension contributions for the year ended June 30, 2025, were equal to the required contribution total. Total pension contributions were approximately \$3,579,000. Of the total pension contributions approximately \$3,444,000 was contributed to fund the Defined Benefit Plan and approximately \$135,000 was contributed to fund the Defined Contribution Plan.

The District's OPEB contributions for the year ended June 30, 2025, were equal to the required contribution total. Total OPEB contributions were approximately \$149,000. Of the total OPEB contributions approximately \$46,000 was contributed to fund the Defined Benefit Plan and approximately \$103,000 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).

KENT CITY COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

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

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

<u>MPSERS (Plan) Non-university Employers</u>	<u>September 30, 2024</u>	<u>September 30, 2023</u>
Total Pension Liability	\$ 95,765,499,515	\$ 94,947,828,557
Plan Fiduciary Net Position	\$ 71,283,482,728	\$ 62,581,762,238
Net Pension Liability	\$ 24,482,016,787	\$ 32,366,066,319
Proportionate Share	0.07179%	0.07099%
Net Pension Liability for the District	\$ 17,576,639	\$ 22,975,787

For the year ended June 30, 2025, the District recognized pension expense of \$1,152,739.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual pension plan investment earnings	\$ -	\$ 3,354,368
Differences between expected and actual experience	476,867	190,973
Changes in proportion and differences between employer contributions and proportionate share of contributions	189,170	370,928
Changes of assumptions	1,832,469	1,287,812
Reporting Unit's contributions subsequent to the measurement date	3,127,945	-
	<u>\$ 5,626,451</u>	<u>\$ 5,204,081</u>

\$3,127,945, 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.

KENT CITY COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

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

<u>Year Ending</u> <u>June 30,</u>	<u>Amount</u>
2026	\$ (723,619)
2027	72,048
2028	(1,205,716)
2029	(848,288)

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

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

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

<u>MPSERS (Plan) Non-university Employers</u>	<u>September 30, 2024</u>	<u>September 30, 2023</u>
Total other postemployment benefits liability	\$ 9,991,545,923	\$ 11,223,648,949
Plan fiduciary net position	\$ 14,295,943,589	\$ 11,789,347,341
Net other postemployment benefits asset	\$ (4,304,397,666)	\$ (565,698,392)
Proportionate share	0.07139%	0.07132%
Net other postemployment benefits asset for the District	\$ (3,072,953)	\$ (403,440)

For the year ended June 30, 2025, the District recognized OPEB benefit of \$1,196,727.

KENT CITY COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

At June 30, 2025, 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	\$ -	\$ 581,745
Differences between expected and actual experience	- -	3,256,392
Changes in proportion and differences between employer contributions and proportionate share of contributions	57,970	161,718
Changes of assumptions	671,177	77,146
Reporting Unit's contributions subsequent to the measurement date	<u>20,157</u>	<u>-</u>
	<u><u>\$ 749,304</u></u>	<u><u>\$ 4,077,001</u></u>

\$20,157, reported as deferred outflows of resources related to OPEB resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability (asset) in the subsequent fiscal year.

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 June 30,</u>	<u>Amount</u>
2026	\$ (1,122,383)
2027	(665,857)
2028	(642,064)
2029	(559,445)
2030	(300,665)
2031	(57,440)

Actuarial Assumptions

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

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

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

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

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

Inflation - 3.0%.

Mortality Assumptions -

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

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

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

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

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

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

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

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

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

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

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

KENT CITY COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

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

Investment Category	Target Allocation	Long-term Expected Real Rate of Return*
Domestic Equity Pools	25.00%	5.30%
International Equity Pools	15.00%	6.50%
Private Equity Pools	16.00%	9.00%
Real Estate and Infrastructure Pools	10.00%	7.10%
Fixed Income Pools	13.00%	2.20%
Absolute Return Pools	9.00%	5.20%
Real Return/Opportunistic Pools	10.00%	6.90%
Short Term Investment Pools	2.00%	1.40%
	<u>100.00%</u>	

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

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

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

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

KENT CITY COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

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

	Pension		
	1% Decrease	Discount Rate	1% Increase
Reporting Unit's proportionate share of the net pension liability	<u>\$ 25,767,541</u>	<u>\$ 17,576,639</u>	<u>\$ 10,756,136</u>

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

	Other Postemployment Benefit		
	1% Decrease	Discount Rate	1% Increase
Reporting Unit's proportionate share of the net other postemployment benefit asset	<u>\$ (2,374,804)</u>	<u>\$ (3,072,953)</u>	<u>\$ (3,676,578)</u>

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

	Other Postemployment Benefit		
	Current	Healthcare Cost	Trend Rates
	1% Decrease	1% Increase	
Reporting Unit's proportionate share of the net other postemployment benefit asset	<u>\$ (3,676,584)</u>	<u>\$ (3,072,953)</u>	<u>\$ (2,425,563)</u>

Pension and OPEB Plan Fiduciary Net Position

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

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

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

NOTE 7 - RISK MANAGEMENT

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

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

NOTE 8 - INTERFUND RECEIVABLES AND PAYABLES

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

Receivable Fund	Payable Fund
General fund	<u>\$ 176,755</u>
	Food service fund
	\$ 21,448
	Student/school activities fund
	83,219
	2015 Refunding fund
	36,192
	2020 Debt fund
	573
	Capital projects sinking fund
	<u>35,323</u>
	 <u>\$ 176,755</u>

NOTE 9 - TRANSFERS

The food service fund transferred \$67,000 to the general fund. The transfer was made for the purpose of recovering indirect costs incurred during the year ended June 30, 2025.

NOTE 10 - CONTINGENT LIABILITIES

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

KENT CITY COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 11 - UPCOMING ACCOUNTING PRONOUNCEMENTS

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

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

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

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

KENT CITY COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 12 - CHANGE IN ACCOUNTING PRINCIPLE

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

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

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

	Governmental Activities	
	Net Position	Compensated Absences
Balance as of July 1, 2024, as previously stated	\$ (19,179,007)	\$ 118,859
Adoption of GASB Statement 101	<u>(146,296)</u>	<u>146,296</u>
Balance as of July 1, 2024, as restated	<u><u>\$ (19,325,303)</u></u>	<u><u>\$ 265,155</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

KENT CITY COMMUNITY SCHOOLS
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2025

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Local sources	\$ 939,452	\$ 1,298,924	\$ 1,210,911	\$ (88,013)
State sources	15,939,868	15,629,247	15,306,188	(323,059)
Federal sources	827,307	928,707	953,594	24,887
Intermediate school districts	<u>1,519,929</u>	<u>1,787,243</u>	<u>1,693,787</u>	<u>(93,456)</u>
TOTAL REVENUES	<u>19,226,556</u>	<u>19,644,121</u>	<u>19,164,480</u>	<u>(479,641)</u>
EXPENDITURES				
Current				
Instruction				
Basic programs	7,431,683	7,590,072	7,212,702	377,370
Added needs	<u>2,852,201</u>	<u>2,588,642</u>	<u>2,505,216</u>	<u>83,426</u>
Total instruction	<u>10,283,884</u>	<u>10,178,714</u>	<u>9,717,918</u>	<u>460,796</u>
Supporting services				
Pupil	1,832,330	1,905,718	1,772,349	133,369
Instructional staff	749,260	691,718	718,633	(26,915)
General administration	779,628	814,224	839,812	(25,588)
School administration	1,371,057	1,369,005	1,377,714	(8,709)
Business	285,618	306,182	295,065	11,117
Operation/maintenance	1,964,262	2,034,159	2,186,627	(152,468)
Pupil transportation	1,155,972	1,280,418	1,227,719	52,699
Central	445,811	694,360	505,806	188,554
Athletics	<u>667,962</u>	<u>793,133</u>	<u>810,478</u>	<u>(17,345)</u>
Total supporting services	<u>9,251,900</u>	<u>9,888,917</u>	<u>9,734,203</u>	<u>154,714</u>
Community services and shared time	<u>159,372</u>	<u>66,793</u>	<u>69,396</u>	<u>(2,603)</u>
TOTAL EXPENDITURES	<u>19,695,156</u>	<u>20,134,424</u>	<u>19,521,517</u>	<u>612,907</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(468,600)</u>	<u>(490,303)</u>	<u>(357,037)</u>	<u>133,266</u>
OTHER FINANCING SOURCES				
Transfers in	<u>67,000</u>	<u>67,000</u>	<u>67,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ (401,600)</u>	<u>\$ (423,303)</u>	<u>(290,037)</u>	<u>\$ 133,266</u>
FUND BALANCE				
Beginning of year			<u>5,634,821</u>	
End of year			<u>\$ 5,344,784</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)

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Reporting Unit's proportion of net pension liability (%)	0.07179%	0.07099%	0.07152%	0.07351%	0.07544%	0.07571%	0.07626%	0.07925%	0.08010%	0.08141%
Reporting Unit's proportionate share of net pension liability	\$ 17,576,639	\$ 22,975,787	\$ 26,896,899	\$ 17,404,975	\$ 25,915,007	\$ 25,071,461	\$ 22,926,591	\$ 20,536,438	\$ 19,984,499	\$ 19,885,531
Reporting Unit's covered-employee payroll	\$ 7,818,232	\$ 7,192,249	\$ 7,141,601	\$ 6,871,274	\$ 6,578,423	\$ 6,717,320	\$ 6,294,899	\$ 6,634,573	\$ 6,724,035	\$ 6,824,593
Reporting Unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	224.82%	319.45%	376.62%	253.30%	393.94%	373.24%	364.21%	309.54%	297.21%	291.38%
Plan fiduciary net position as a percentage of total pension liability (Non-university employers)	74.44%	65.91%	60.77%	72.60%	59.72%	60.31%	62.36%	64.21%	63.27%	63.17%

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)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Statutorily required pension contributions	\$ 3,443,701	\$ 2,886,550	\$ 3,197,391	\$ 2,306,176	\$ 2,203,503	\$ 2,130,880	\$ 2,005,642	\$ 1,858,778	\$ 1,798,706	\$ 1,570,593
Pension contributions in relation to statutorily required contributions	<u>3,443,701</u>	<u>2,886,550</u>	<u>3,197,391</u>	<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>
Contribution deficiency (excess)	<u>\$ -</u>									
Reporting Unit's covered-employee payroll (pension)	\$ 8,310,124	\$ 7,488,636	\$ 7,730,624	\$ 7,110,340	\$ 6,661,594	\$ 6,751,728	\$ 6,859,884	\$ 6,285,918	\$ 6,742,355	\$ 6,682,720
Pension contributions as a percentage of covered-employee payroll	41.44%	38.55%	41.36%	32.43%	33.08%	31.56%	29.24%	29.57%	26.68%	23.50%

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

	2024	2023	2022	2021	2020	2019	2018	2017
Reporting Unit's proportion of net other postemployment benefits liability/asset (%)	0.07139%	0.07132%	0.07004%	0.07301%	0.07452%	0.07685%	0.07393%	0.07935%
Reporting Unit's proportionate share of net other post-employment benefits liability (asset)	\$ (3,072,953)	\$ (403,440)	\$ 1,483,480	\$ 1,114,480	\$ 3,972,420	\$ 5,516,450	\$ 5,876,312	\$ 7,026,640
Reporting Unit's covered-employee payroll	\$ 7,818,232	\$ 7,192,249	\$ 7,141,601	\$ 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/asset as a percentage of its covered-employee payroll	39.30%	5.61%	20.77%	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)	143.08%	105.04%	83.09%	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)

	2025	2024	2023	2022	2021	2020	2019	2018
Statutorily required other postemployment benefits contributions	\$ 45,677	\$ 603,471	\$ 566,640	\$ 516,213	\$ 541,993	\$ 561,337	\$ 544,933	\$ 617,758
Other postemployment benefits contributions in relation to statutorily required contributions	<u>45,677</u>	<u>603,471</u>	<u>566,640</u>	<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>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reporting Unit's covered-employee payroll (OPEB)	\$ 8,310,124	\$ 7,488,636	\$ 7,730,624	\$ 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	0.55%	8.06%	7.33%	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, 2025**

NOTE 1 - PENSION INFORMATION

Benefit Changes

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

Changes in Assumptions

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

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

NOTE 2 - OPEB INFORMATION

Benefit Changes

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

Changes in Assumptions

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

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

KENT CITY COMMUNITY SCHOOLS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2025

NOTE 2 - OPEB INFORMATION (continued)

Changes in Assumptions (continued)

- 2022 - The discount rate and investment rate of return used in the September 30, 2021, actuarial valuation decreased by 0.95 percentage points. This resulted in lower than projected per person health benefit costs to reduce the plan's total OPEB liability by an additional \$1.1 billion in 2022.
- 2021 - The health care cost trend rate used in the September 30, 2020, actuarial valuation increased by 0.75 percentage points for members under 65 and decreased by 1.75 percentage points for members over 65. In addition, actual per person health benefit costs were lower than projected. This reduced the plan's total OPEB liability by \$1.3 billion in 2021.
- 2020 - The health care cost trend rate used in the September 30, 2019, actuarial valuation decreased by 0.50 percentage points and actual per person health benefit costs were lower than projected. This reduced the plan's total OPEB liability by \$1.8 billion in 2020.
- 2019 - The discount rate used in the September 30, 2018, actuarial valuation decreased by 0.20 percentage points. The valuation also includes the impact of an updated experience study for periods from 2012 to 2017. This resulted in lower than projected per person health benefit costs to reduce the plan's total OPEB liability by an additional \$1.4 billion in 2019.
- 2018 - The discount rate used in the September 30, 2017, actuarial valuation decreased by 0.35 percentage points. The valuation also includes the impact of an updated experience study for periods from 2012 to 2017. This resulted in lower than projected per person health benefit costs to reduce the plan's total OPEB liability by \$1.4 billion in 2018.

ADDITIONAL SUPPLEMENTARY INFORMATION

KENT CITY COMMUNITY SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES
JUNE 30, 2025

	Special Revenue			Debt Service			Capital Projects - Sinking	Total Nonmajor Funds
	Food Service	Community Services	Student/School Activities	2015 Refunding	2020 Debt	2020 Refunding		
ASSETS								
Cash and cash equivalents	\$ 515,552	\$ 9,054	\$ 350,842	\$ 206,596	\$ 195,075	\$ 965	\$ -	\$ 1,278,084
Intergovernmental receivable	11,851	-	-	-	-	-	-	11,851
Prepads	2,390	-	-	-	-	-	-	2,390
Inventories	7,601	-	-	-	-	-	-	7,601
Restricted cash and cash equivalents - capital projects	-	-	-	-	-	-	436,219	436,219
TOTAL ASSETS	\$ 537,394	\$ 9,054	\$ 350,842	\$ 206,596	\$ 195,075	\$ 965	\$ 436,219	\$ 1,736,145
LIABILITIES AND FUND BALANCES								
LIABILITIES								
Accounts payable	\$ 7	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,915	\$ 1,922
Due to other funds	21,448	-	83,219	36,192	573	-	35,323	176,755
Unearned revenue	3,587	-	-	-	-	-	-	3,587
TOTAL LIABILITIES	25,042	-	83,219	36,192	573	-	37,238	182,264
FUND BALANCES								
Nonspendable								
Prepads	2,390	-	-	-	-	-	-	2,390
Inventories	7,601	-	-	-	-	-	-	7,601
Restricted								
Food service	502,361	-	-	-	-	-	-	502,361
Debt service	-	-	-	170,404	194,502	965	-	365,871
Capital projects	-	-	-	-	-	-	398,981	398,981
Committed								
Community services	-	9,054	-	-	-	-	-	9,054
Student/school activities	-	-	267,623	-	-	-	-	267,623
TOTAL FUND BALANCES	512,352	9,054	267,623	170,404	194,502	965	398,981	1,553,881
TOTAL LIABILITIES AND FUND BALANCES	\$ 537,394	\$ 9,054	\$ 350,842	\$ 206,596	\$ 195,075	\$ 965	\$ 436,219	\$ 1,736,145

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

	Special Revenue			Debt Service			Capital Projects - Sinking	Total Nonmajor Funds
	Food Service	Community Services	Student/School Activities	2015 Refunding	2020 Debt	2020 Refunding		
REVENUES								
Property taxes	\$ -	\$ -	\$ -	\$ 1,272,567	\$ 954,330	\$ 515,081	\$ 318,627	\$ 3,060,605
Sales	68,381	-	-	-	-	-	-	68,381
Student/school activities	-	-	304,355	-	-	-	-	304,355
State sources	172,174	-	-	9,861	11,273	-	-	193,308
Federal sources	1,028,709	-	-	-	-	-	-	1,028,709
Investment earnings	5,132	-	-	6,756	7,720	-	5,677	25,285
Other	-	38,511	-	2,272	2,597	-	314	43,694
TOTAL REVENUES	1,274,396	38,511	304,355	1,291,456	975,920	515,081	324,618	4,724,337
EXPENDITURES								
Current								
Food service	1,202,292	-	-	-	-	-	-	1,202,292
Student/school activities	-	-	292,527	-	-	-	-	292,527
Community services and shared time	-	45,120	-	-	-	-	-	45,120
Debt service								
Principal repayment	-	-	-	1,008,835	215,000	380,000	-	1,603,835
Interest	-	-	-	278,232	841,250	139,581	-	1,259,063
Other	-	-	-	500	500	500	-	1,500
TOTAL EXPENDITURES	1,202,292	45,120	292,527	1,287,567	1,056,750	520,081	-	4,404,337
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	72,104	(6,609)	11,828	3,889	(80,830)	(5,000)	324,618	320,000
OTHER FINANCING SOURCES (USES)								
School loan revolving fund issuance	-	-	-	-	273,113	-	-	273,113
Transfers out	(67,000)	-	-	-	-	-	-	(67,000)
TOTAL OTHER FINANCING SOURCES (USES)	(67,000)	-	-	-	273,113	-	-	206,113
NET CHANGE IN FUND BALANCES	5,104	(6,609)	11,828	3,889	192,283	(5,000)	324,618	526,113
FUND BALANCES								
Beginning of year	507,248	15,663	255,795	166,515	2,219	5,965	74,363	1,027,768
End of year	\$ 512,352	\$ 9,054	\$ 267,623	\$ 170,404	\$ 194,502	\$ 965	\$ 398,981	\$ 1,553,881



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

To the Board of Education
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, 2025, and the related notes to the financial statements, which collectively comprise Kent City Community Schools' basic financial statements and have issued our report thereon dated October 13, 2025.

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 Kent City Community Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of 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 a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as 2025-001, that we consider to be a material weakness.

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 instance of noncompliance or other matters, identified as 2025-001, that is required to be reported under *Government Auditing Standards*.

The District's Responses to Findings

Kent City Community Schools' response to the 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 the financial statements, and accordingly, we express no opinion on it.

Purpose of this Report

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

Maner Costerman PC

October 13, 2025

**KENT CITY COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2025**

Financial Statement Findings

Finding 2025-001: Material Weakness - Audit Adjustments

Condition: Material audit adjustments were proposed by the external auditor and recorded by the client where needed in order to reconcile various balance sheets and related revenue and expenditure accounts.

Criteria: In order to maintain adequate internal controls and proper reporting, all balance sheet accounts should be reconciled and adjusted monthly. The reconciliations should be reviewed on a timely basis by a separate 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: Various balance sheet accounts were not reconciled on a timely basis throughout the fiscal year. This led to significant adjusting journal entries, necessary to adjust related accounts to correct balances as of June 30, 2025.

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.



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, 2025

Kent City Community Schools respectfully submits the following corrective action plan for the year ended June 30, 2025.

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

Audit Period: Year ended June 30, 2025

District Contact Person: Bill Crane, Superintendent

The findings from the June 30, 2025, 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 2025-001: Material Weakness - Audit Adjustments

Recommendation: The District should implement a month end procedure checklist to ensure 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. Account reconciliations will be completed timely and a separate individual from the business office will properly review these reconciliations within 30 days of month end. Inconsistencies and recurring reconciling items will be investigated and cleared in a timely manner.



2425 E. Grand River Ave.,
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☎ 517.323.7500
📠 517.323.6346

October 13, 2025

To the Board of Education of
Kent City Community Schools

In planning and performing our audit of the financial statements of Kent City Community Schools as of and for the year ended June 30, 2025, in accordance with auditing standards generally accepted in the United States of America, we considered Kent City Community Schools' internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, during our audit, we noted certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated October 13, 2025, on the financial statements of Kent City Community Schools. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control, or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations. Our comments are summarized as follows.

PREVIOUS YEAR COMMENT

Food Service Fund Balance

Per Michigan Department of Education (MDE) guidelines, school food authorities (SFA) must operate food services on a nonprofit basis. We noted that the food service fund balance exceeded the three months' operating expenditures allowed. MDE requires that the SFA spend down the excess by the end of the next school year. We recommend that Kent City Community Schools develop a plan to spend down the excess by June 30, 2025, and submit the plan to MDE.

Status:

During the fiscal year 2025 audit, we noted the District continued to make capital improvements in the food service fund in an effort to spend down the excess fund balance; however, the fund balance is still in excess of three months' operating expenditures as of year end; this comment is still applicable as of the year ended June 30, 2025.

This report is intended solely for the information and use of management and others within the District and is not intended to be, and should not be, used by anyone other than these specified parties.

We appreciate the cooperation we received from your staff during our engagement and the opportunity to be of service.

Very truly yours,

Manes Costerman PC



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October 13, 2025

To the Board of Education of
Kent City Community Schools

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

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Kent City Community Schools are described in Note 1 to the financial statements. As described in Note 12 to the financial statements, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 101 *Compensated Absences*, during the year ended June 30, 2025. Accordingly, the cumulative effects of the accounting changes are reported in the applicable financial statements and note disclosures. We noted no transactions entered into by Kent City Community Schools during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Estimates have been used to calculate the net pension liability and the net other postemployment benefit asset. We evaluated the key factors and assumptions used to develop the balance of the net pension liability and net other postemployment benefit asset in determining that they are reasonable in relation to the financial statements taken as a whole.

Management's estimate in calculating the liability for employee compensated absences. We evaluated the key factors and assumptions used to develop the balance of employee compensated absences in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's determination of the estimated life span of the capital assets. We evaluated the key factors and assumptions used by management to develop the estimated life span of the capital assets in determining that it is reasonable in relation to the financial statements taken as a whole. In addition, certain amounts included in capital assets have been estimated based on an outside appraisal company.

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

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 13, 2025.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

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

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

Restriction on Use

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

Very truly yours,

Maner Costerman PC