

KENT CITY COMMUNITY SCHOOLS

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

YEAR ENDED JUNE 30, 2024

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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, 2024, 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, 2024, 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.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2024 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.

Maney Costeiran PC

October 18, 2024

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, 2024. Please read it in conjunction with the District's financial statements which immediately follow this section. A comparative analysis with the prior year has been provided.

District-wide Financial Statements

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

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

Fund Financial Statements

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

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

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

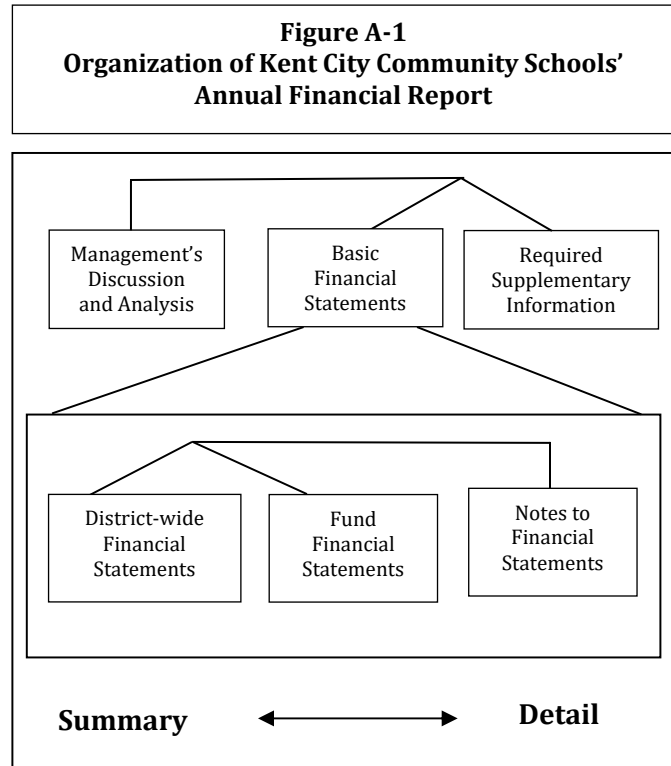
KENT CITY COMMUNITY SCHOOLS MANAGEMENT'S DISCUSSION & ANALYSIS

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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



FUND FINANCIAL STATEMENTS

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

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position - The District's combined net deficit fluctuated as show below as of June 30, 2024.

Kent City Community Schools' Net Position		
	<u>2024</u>	<u>2023</u>
Current assets	\$ 9,149,241	\$ 8,025,040
Net other postemployment benefits asset	403,440	-
Capital assets	<u>30,046,558</u>	<u>31,226,708</u>
Total assets	<u>39,599,239</u>	<u>39,251,748</u>
Deferred outflows of resources	<u>8,057,005</u>	<u>9,978,841</u>
Long-term obligations	33,247,634	34,516,894
Net pension liability	22,975,787	26,896,899
Net other postemployment benefits liability	-	1,483,480
Other liabilities	<u>2,822,330</u>	<u>2,513,982</u>
Total liabilities	<u>59,045,751</u>	<u>65,411,255</u>
Deferred inflows of resources	<u>7,789,500</u>	<u>6,201,362</u>
Net position		
Net investment in capital assets	(295,027)	146,153
Restricted for capital projects (sinking fund)	74,363	135,922
Restricted for net other postemployment benefits	403,440	-
Unrestricted	<u>(19,361,783)</u>	<u>(22,664,103)</u>
Total net position	<u>\$ (19,179,007)</u>	<u>\$ (22,382,028)</u>

The District's combined net position at the beginning of the fiscal year was (\$22,382,028) and on June 30, 2024 it is (\$19,179,007).

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

Changes in Kent City Community Schools' Net Position		
	2024	2023
Revenues		
Program revenues		
Charges for services	\$ 332,072	\$ 397,124
Operating grants and contributions	7,966,333	6,444,307
General revenues		
Property taxes	3,375,221	3,097,252
Investment earnings	36,304	78,793
State sources	11,311,608	10,993,856
Intermediate sources	1,677,476	1,592,615
Other	30,682	21,692
Total revenues	24,729,696	22,625,639
Expenses		
Instruction	9,423,805	9,941,256
Support services	9,332,028	8,628,974
Community services and shared time	307,052	169,128
Food services	1,069,027	943,894
Student/school activities	295,976	281,466
Interest on long-term debt	1,098,787	1,121,025
Total expenses	21,526,675	21,085,743
Change in net position	\$ 3,203,021	\$ 1,539,896

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 2023-2024. The per student State foundation allowance increased by \$458 per student as compared with the prior year.
- b. The District's non-homestead levy for 2023-2024 was 17.7881 mills which the voters approved in May of 2022.

Student Enrollment

Student enrollment decreased from 1,278 in 2022-2023 to 1,240 in 2023-2024. For the subsequent school year, it is hopeful that enrollment will remain consistent with 2023-2024.

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

GOVERNMENTAL FUNDS

Results of Operations

For the fiscal years ended June 30, 2024 and 2023, the total fund-level results of operations were:

	2024	2023
REVENUES		
Local sources		
Property taxes	\$ 3,375,221	\$ 3,097,252
Investment earnings	36,304	78,793
Food sales	30,387	161,593
Student/school activities	301,270	297,164
Other	333,864	258,023
Total local sources	4,077,046	3,892,825
State sources	16,240,265	15,409,033
Federal sources	2,239,565	2,504,122
Intermediate sources	1,677,476	1,592,615
TOTAL REVENUES	\$ 24,234,352	\$ 23,398,595
EXPENDITURES		
Current		
Instruction	\$ 9,453,544	\$ 10,028,603
Supporting services	8,963,329	8,070,174
Food service activities	1,254,672	962,055
Student/school activities	295,976	281,466
Community service activities	280,711	330,000
Capital outlays	768,771	4,581,180
Debt service		
Principal	1,260,000	1,210,000
Interest	1,223,180	1,265,582
Other	1,497	1,501
TOTAL EXPENDITURES	\$ 23,501,680	\$ 26,730,561

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

The following summarizes the revenues and expenses by comparing fiscal year 2024 to 2023 as shown in the previous results of operations.

- State sources increased largely due to an increase in foundation allowance of \$458 per pupil as well as due to several new state categorical grants. There were also significant increases to state funding from prior year adjustments.
- Federal sources decreased due to decreases in Elementary and Secondary School Emergency Relief Funds as the funds begin to sunset. The district has spent all ESSER funds we have received to date.
- Expenses decreased from \$26.7 million in 2023 to \$23.5 million in 2024, a decrease of approximately \$3.2 million. The decrease is due to a reduction in capital outlays of \$3.8 million which was partially offset by additional funds spent on supporting services. The completion of bond construction work in 2023 contributed to the decrease in expenses.

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 2023-2024 budget was approved in June 2023.

The 2023-2024 budget was revised two times throughout the fiscal year, with the final revision approved in June 2024. The final budget revision anticipated higher revenues and higher expenditures than was expected in June 2023 when the original budget was approved. The increase in revenues was a result of receiving more state 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 2024, the District had invested \$61.6 million in a broad range of capital assets.

Kent City Community Schools' Capital Assets				
	2024		Net Book Value	2023
	Cost	Accumulated Depreciation		Net Book Value
Land	\$ 109,066	\$ -	\$ 109,066	\$ 62,544
Land improvements	3,183,676	2,135,470	1,048,206	1,126,823
Buildings and improvements	53,982,605	26,072,476	27,910,129	29,038,071
Furniture and equipment	1,995,163	1,492,950	502,213	514,525
Vehicles	2,331,962	1,855,018	476,944	484,745
Total	\$ 61,602,472	\$ 31,555,914	\$ 30,046,558	\$ 31,226,708

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

Long-term Obligations

At year-end, the District had \$33.2 million in long-term obligations, an approximately \$1.27 million decrease when compared to the prior year. The District paid down its outstanding bonds with principal payments of \$1.26 million.

Kent City Community Schools Outstanding Long-Term Obligations		
	2024	2023
General obligation bonds - net	\$ 31,824,899	\$ 33,266,991
Compensated absences	118,859	78,444
Notes from direct borrowings and direct placements	1,303,876	1,171,459
	\$ 33,247,634	\$ 34,516,894

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 2024-25 budget. The 2024-25 budget was adopted in June 2024, based on an estimate of 1,210 students that will be enrolled in October 2024 and estimated per pupil funding. The 2024-25 budget was approved at a \$350 per pupil increase. The state of Michigan then approved a state budget with no increases to per pupil funding. Based on early enrollment data at the start of the 2024-25 school year, it is anticipated that the fall student count will be higher than the estimates used in creating the 2024-25 budget. The District's 2024-25 Approved Budget will be amended by February.

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 2024-25 school year receiving an increase in per pupil funding, the District will have to pay attention to rising costs of energy and utility costs. Other issues from rising inflation around the country could affect our 2024-25 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, 2024

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 5,627,711
Receivables	
Accounts receivable	19,585
Intergovernmental	3,105,226
Inventories	6,766
Prepays	35,615
Restricted cash and cash equivalents - capital projects	354,338
Net other postemployment benefits asset	403,440
Capital assets not being depreciated	109,066
Capital assets, net of accumulated depreciation	29,937,492
TOTAL ASSETS	39,599,239
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding	59,245
Related to pensions	6,497,856
Related to other postemployment benefits	1,499,904
TOTAL DEFERRED OUTFLOWS OF RESOURCES	8,057,005
LIABILITIES	
Accounts payable	511,955
Accrued salaries and related items	675,632
Accrued retirement	542,468
Unearned revenue	756,597
Accrued interest	196,605
Noncurrent liabilities	
Due within one year	1,331,546
Due in more than one year	31,916,088
Accrued interest due in more than one year	139,073
Net pension liability	22,975,787
TOTAL LIABILITIES	59,045,751
DEFERRED INFLOWS OF RESOURCES	
Related to pensions	2,967,300
Related to other postemployment benefits	3,400,492
Related to state aid funding for pension	1,421,708
TOTAL DEFERRED INFLOWS OF RESOURCES	7,789,500
NET POSITION	
Net investment in capital assets	(295,027)
Restricted for capital projects (sinking fund)	74,363
Restricted for net other postemployment benefits	403,440
Unrestricted	(19,361,783)
TOTAL NET POSITION	\$ (19,179,007)

See notes to financial statements.

**KENT CITY COMMUNITY SCHOOLS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2024**

Functions/Programs	Expenses	Program Revenues		Governmental Activities
		Charges for Services	Operating Grants and Contributions	Net (expense) Revenue and Changes in Net Position
Governmental activities				
Instruction	\$ 9,423,805	\$ 69,193	\$ 5,204,927	\$ (4,149,685)
Support services	9,332,028	71,451	1,301,232	(7,959,345)
Community services and shared time	307,052	161,041	-	(146,011)
Food services	1,069,027	30,387	1,158,904	120,264
Student/school activities	295,976	-	301,270	5,294
Interest on long-term debt	1,098,787	-	-	(1,098,787)
Total governmental activities	<u>\$ 21,526,675</u>	<u>\$ 332,072</u>	<u>\$ 7,966,333</u>	<u>(13,228,270)</u>
General revenues				
Property taxes, levied for general purposes				756,711
Property taxes, levied for debt service				2,341,752
Property taxes, levied for capital projects (sinking fund)				276,758
Investment earnings				36,304
State sources, unrestricted				11,311,608
Intermediate sources				1,677,476
Other				30,682
Total general revenues				<u>16,431,291</u>
CHANGE IN NET POSITION				3,203,021
NET POSITION, beginning of year				<u>(22,382,028)</u>
NET POSITION, end of year				<u>\$ (19,179,007)</u>

See notes to financial statements.

**KENT CITY COMMUNITY SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2024**

	General Fund	2020 Bonded Construction Capital Projects Fund	Total Nonmajor Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 4,487,108	\$ -	\$ 1,140,603	\$ 5,627,711
Receivables				
Accounts receivable	19,585	-	-	19,585
Due from other funds	430,659	-	-	430,659
Intergovernmental	3,094,273	-	10,953	3,105,226
Inventories	-	-	6,766	6,766
Prepays	33,225	-	2,390	35,615
Restricted cash and cash equivalents - capital projects	-	12,008	342,330	354,338
TOTAL ASSETS	\$ 8,064,850	\$ 12,008	\$ 1,503,042	\$ 9,579,900
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 460,301	\$ -	\$ 51,654	\$ 511,955
Due to other funds	-	12,008	418,651	430,659
Accrued salaries and related items	675,632	-	-	675,632
Accrued retirement	542,468	-	-	542,468
Unearned revenue	751,628	-	4,969	756,597
TOTAL LIABILITIES	2,430,029	12,008	475,274	2,917,311
FUND BALANCES				
Nonspendable				
Inventories	-	-	6,766	6,766
Prepays	33,225	-	2,390	35,615
Restricted for:				
Debt service	-	-	174,699	174,699
Food service	-	-	498,092	498,092
Capital projects	-	-	74,363	74,363
Committed for:				
Community services	-	-	15,663	15,663
Student/school activities	-	-	255,795	255,795
Budgeted use of fund balance	401,600	-	-	401,600
Unassigned	5,199,996	-	-	5,199,996
TOTAL FUND BALANCES	5,634,821	-	1,027,768	6,662,589
TOTAL LIABILITIES AND FUND BALANCES	\$ 8,064,850	\$ 12,008	\$ 1,503,042	\$ 9,579,900

See notes to financial statements.

**KENT CITY COMMUNITY SCHOOLS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE
SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2024**

Total governmental fund balances		\$ 6,662,589
Amounts reported for governmental activities in the statement of net position are different because:		
Deferred outflows of resources - deferred charges on refunding		59,245
Deferred outflows of resources - related to pensions		6,497,856
Deferred inflows of resources - related to pensions		(2,967,300)
Deferred outflows of resources - related to other postemployment benefits		1,499,904
Deferred inflows of resources - related to other postemployment benefits		(3,400,492)
Deferred inflows of resources - related to state aid funding for pensions		(1,421,708)
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		403,440
Capital assets used in governmental activities are not financial resources and are not reported in the funds:		
The cost of capital assets is	\$ 61,602,472	
Accumulated depreciation is	<u>(31,555,914)</u>	
		30,046,558
Long-term liabilities are not due and payable in the current period and are not reported in the funds:		
General obligation bonds		(31,824,899)
Notes from direct borrowings and direct placements		(1,303,876)
Compensated absences		(118,859)
Accrued interest		(335,678)
Net pension liability		<u>(22,975,787)</u>
Net position of governmental activities		<u><u>\$ (19,179,007)</u></u>

KENT CITY COMMUNITY SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2024

	General Fund	2020 Bonded Construction Capital Projects Fund	Total Nonmajor Funds	Total Governmental Funds
REVENUES				
Local sources				
Property taxes	\$ 756,711	\$ -	\$ 2,618,510	\$ 3,375,221
Investment earnings	17,831	10,330	8,143	36,304
Food sales	-	-	30,387	30,387
Student/school activities	-	-	301,270	301,270
Other	289,539	-	44,325	333,864
Total local sources	1,064,081	10,330	3,002,635	4,077,046
State sources	16,066,878	-	173,387	16,240,265
Federal sources	1,226,939	-	1,012,626	2,239,565
Intermediate school districts	1,677,476	-	-	1,677,476
TOTAL REVENUES	20,035,374	10,330	4,188,648	24,234,352
EXPENDITURES				
Current				
Instruction	9,453,544	-	-	9,453,544
Supporting services	8,963,329	-	-	8,963,329
Community services and shared time	238,007	-	42,704	280,711
Food service activities	-	-	1,254,672	1,254,672
Student/school activities	-	-	295,976	295,976
Capital outlay	-	426,029	342,742	768,771
Debt service				
Principal repayment	-	-	1,260,000	1,260,000
Interest	-	-	1,223,180	1,223,180
Other	-	-	1,497	1,497
TOTAL EXPENDITURES	18,654,880	426,029	4,420,771	23,501,680
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,380,494	(415,699)	(232,123)	732,672
OTHER FINANCING SOURCES (USES)				
School loan revolving fund issuance	-	-	132,417	132,417
Transfers in	67,000	-	-	67,000
Transfers out	-	-	(67,000)	(67,000)
TOTAL OTHER FINANCING SOURCES (USES)	67,000	-	65,417	132,417
NET CHANGE IN FUND BALANCES	1,447,494	(415,699)	(166,706)	865,089
FUND BALANCES				
Beginning of year	4,187,327	415,699	1,194,474	5,797,500
End of year	<u>\$ 5,634,821</u>	<u>\$ -</u>	<u>\$ 1,027,768</u>	<u>\$ 6,662,589</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, 2024**

Net change in fund balances total governmental funds	\$ 865,089
 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	(1,868,746)
Capital outlay	688,596
 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	203,863
Accrued interest payable, end of the year	(196,605)
 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	1,260,000
School loan revolving fund issuance	(132,417)
Accrued interest from school loan revolving fund and school bond loan fund	(56,494)
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	78,444
Accrued compensated absences, end of the year	(118,859)
 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	425,782
Other postemployment benefits related items	1,383,898
 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	496,841
 Change in net position of governmental activities	 <u>\$ 3,203,021</u>

See notes to financial statements.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

Description of Government-wide Financial Statements

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

Basis of Presentation - Government-wide Financial Statements

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

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

Basis of Presentation - Fund Financial Statements

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

The District reports the following *Major Governmental Funds*:

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation - Fund Financial Statements (continued)

Major Governmental Funds (continued):

Beginning with the year of bond issuance, the school district has reported the annual construction activity in the 2020 Bonded Construction Capital Projects Fund. The projects for which the 2020 School Building and Site Bonds were issued were considered substantially complete as of June 30, 2023. The cumulative revenues, other financing sources (uses), and expenditures recognized for the construction period are as follows:

	<u>2020 Bonded Construction Capital Projects Fund</u>
Revenues and other financing sources	<u>\$ 22,428,559</u>
Expenditures and other financing uses	<u>\$ 22,428,559</u>

The District reports the following *Other Nonmajor Funds*:

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

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

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.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting (continued)

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

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

Budgetary Information

Budgetary Basis of Accounting

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

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

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

- a. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, in the general fund are noted in the required supplementary information section.
- d. Transfers may be made for budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
- e. The budget was amended twice during the year. The final budget was approved prior to the June 30, 2024 year-end. The District does not consider these amendments appropriations to be significant.

**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

Cash and Cash Equivalents

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

Investments

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

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

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.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Capital Assets

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:

Capital Asset Classes	Lives
Land improvements	10 - 20 years
Buildings and improvements	10 - 50 years
Furniture and equipment	3 - 10 years
Vehicles	5 - 10 years

Defined Benefit Plans

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

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.

**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)

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 \$1,303,876 are considered capital-related debt. Accrued interest on these funds of \$139,073 has been included in the calculation of unrestricted net position.

In addition, in 2020 the District issued bonded debt to make principal and interest payments related to the school loan revolving fund and school bond loan fund. As of June 30, 2024, the outstanding balances were \$6,050,000. 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, 2024 is \$2,727,945.

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).

**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)

Fund Balance Policies (continued)

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 (Vacation and Sick Leave)

The District's policy permits employees to accumulate earned but unused vacation and sick leave benefits. Sick pay is accrued for the estimated amount that the District will pay upon employment termination; vacation pay is accrued when incurred. These liabilities are reported in the government-wide financial statements. A liability for the compensated absences amount is report in the governmental funds only for employee terminations as of year end.

Long-term Obligations

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

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

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.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues and Expenditures/Expenses (continued)

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, 2024, the District levied the following amounts per \$1,000 of assessed valuation:

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

NOTE 2 - DEPOSITS

As of June 30, 2024 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, 2024, \$6,064,340 of the District’s bank balance of \$6,314,340 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 \$5,982,049.

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, 2024:

	Primary Government
Cash and cash equivalents	\$ 5,627,711
Restricted cash and cash equivalents - capital projects	354,338
	\$ 5,982,049

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

NOTE 3 - INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables at June 30, 2024 consist of the following:

	Government- wide
State aid	\$ 2,944,314
Federal revenue	21,178
Other	139,734
	\$ 3,105,226

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

NOTE 4 - CAPITAL ASSETS

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

	Balance July 1, 2023	Additions	Deletions	Balance June 30, 2024
Assets not being depreciated				
Land	\$ 62,544	\$ 46,522	\$ -	\$ 109,066
Capital assets being depreciated				
Land improvements	3,183,676	-	-	3,183,676
Buildings and improvements	53,516,738	465,867	-	53,982,605
Furniture and equipment	1,937,733	57,430	-	1,995,163
Vehicles	2,213,185	118,777	-	2,331,962
Total capital assets being depreciated	60,851,332	642,074	-	61,493,406
Accumulated depreciation				
Land improvements	2,056,853	78,617	-	2,135,470
Buildings and improvements	24,478,667	1,593,809	-	26,072,476
Furniture and equipment	1,423,208	69,742	-	1,492,950
Vehicles	1,728,440	126,578	-	1,855,018
Total accumulated depreciation	29,687,168	1,868,746	-	31,555,914
Net capital assets being depreciated	31,164,164	(1,226,672)	-	29,937,492
Net governmental capital assets	\$ 31,226,708	\$ (1,180,150)	\$ -	\$ 30,046,558

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

NOTE 4 - CAPITAL ASSETS (continued)

Depreciation for the fiscal year ended June 30, 2024 amounted to \$1,868,746. The District allocated depreciation to the various activities as follows:

Instruction	\$ 966,142
Support services	777,398
Community services	31,769
Food service	93,437
	<u>1,868,746</u>
	<u>\$ 1,868,746</u>

NOTE 5 - NOTES PAYABLE

In August 2022, the District issued two notes payable with balances totaling \$350,000 with interest rates of 1.97% and 1.99%. The final maturity of the notes was August 20, 2023. There was no additional borrowing in the current year. Activity for the year ended June 30, 2024 is as follows:

Balance July 1, 2023	Additions	Deletions	Balance June 30, 2024
\$ 86,679	\$ -	\$ 86,679	\$ -

NOTE 6 - LONG-TERM OBLIGATIONS

The following is a summary of long-term obligations for the District for the year ended June 30, 2024:

	General Obligation Bonds	Notes from Direct Borrowings and Direct Placements	Compensated Absences	Total
Balance July 1, 2023	\$ 33,266,991	\$ 1,171,459	\$ 78,444	\$ 34,516,894
Additions	-	132,417	40,415	172,832
Deletions	(1,442,092)	-	-	(1,442,092)
Balance June 30, 2024	31,824,899	1,303,876	118,859	33,247,634
Due within one year	(1,310,000)	-	(21,546)	(1,331,546)
Due in more than one year	\$ 30,514,899	\$ 1,303,876	\$ 97,313	\$ 31,916,088

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

NOTE 6 - LONG-TERM OBLIGATIONS (continued)

Long-term obligations at June 30, 2024 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%.	\$ 4,970,000
2020 Refunding bonds due in annual installments of \$380,000 to \$1,165,000 through May 1, 2033, with interest rates ranging from 1.99% to 2.47%.	6,050,000
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%.	16,955,000
Plus issuance premium	<u>3,849,899</u>
Total general obligation bonds	31,824,899

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 4.56% at June 30, 2024.	<u>1,303,876</u>
Total general obligation bonds and notes from direct borrowings and direct placement	33,128,775
Compensated absences	<u>118,859</u>
Total long-term obligations	<u><u>\$ 33,247,634</u></u>

Borrowing from the State of Michigan - The school loan revolving fund and school bond loan fund payable represents a note payable to the State of Michigan for loans made to the school district, as authorized by the State of Michigan Constitution, for the purpose of paying principal and interest on general obligation bonds of the school district issued for capital expenditures. Interest rates are to be annually determined by the State Administrative Board. Interest rate of 4.56% has been assessed for the year ended June 30, 2024. Repayment is required when the millage rate necessary to cover the annual bonded debt services falls below 8.25 mills. The District currently levies 8.25 debt mills. Due to the variability of the factors that affect the timing of repayment, including the future amount of state equalized value of property in the school district, no provision for repayment has been included in the following amortization schedule. The state may apply a default late charge on the note if the District does not make the repayments or apply the default late charge if the District fails to levy the appropriate debt mills. The state may also withhold state aid payments if the District is in default.

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

NOTE 6 - LONG-TERM OBLIGATIONS (continued)

The annual requirements to amortize long-term obligations outstanding, including interest, exclusive of compensated absences payments as of June 30, 2024, are as follows:

Year Ending June 30,	General Obligation Bonds		Notes from Direct Borrowings and Direct Placements			Total
	Principal	Interest	Principal	Interest	Other	
2025	\$ 1,310,000	\$ 1,179,631	\$ -	\$ -	\$ -	\$ 2,489,631
2026	1,360,000	1,134,861	-	-	-	2,494,861
2027	1,415,000	1,088,408	-	-	-	2,503,408
2028	1,470,000	1,040,574	-	-	-	2,510,574
2029	1,525,000	988,968	-	-	-	2,513,968
2030 - 2034	7,350,000	4,119,498	-	-	-	11,469,498
2035 - 2039	3,665,000	3,036,000	-	-	-	6,701,000
2040 - 2044	4,655,000	2,029,000	-	-	-	6,684,000
2045 - 2049	5,225,000	783,750	-	-	-	6,008,750
	27,975,000	15,400,690	-	-	-	43,375,690
Issuance premium	3,849,899	-	-	-	-	3,849,899
Compensated absences	-	-	-	-	118,859	118,859
School loan revolving fund and school bond loan fund	-	-	1,303,876	139,073	-	1,442,949
	<u>\$ 31,824,899</u>	<u>\$ 15,400,690</u>	<u>\$ 1,303,876</u>	<u>\$ 139,073</u>	<u>\$ 118,859</u>	<u>\$ 48,787,397</u>

Interest expense (all funds) for the year ended June 30, 2024 was approximately \$1,223,000.

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS

Plan Description

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

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

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

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

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Benefits Provided - Overall

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

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

Benefits Provided - Pension

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

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

Pension Reform 2010

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

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

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension Reform 2012 (continued)

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

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

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

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

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

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

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

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

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

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

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension Reform of 2017

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

Benefits Provided - Other Postemployment Benefit (OPEB)

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

Retiree Healthcare Reform of 2012

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

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

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

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Regular Retirement (no reduction factor for age)

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

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

Member Contributions

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

Employer Contributions

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

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

Pension and OPEB contributions made in the fiscal year ending September 30, 2023, were determined as of the September 30, 2020, actuarial valuations. The pension and OPEB benefits, the unfunded (overfunded) actuarial accrued liabilities as of September 30, 2020, are amortized over a 16-year period beginning October 1, 2022, and ending September 30, 2038.

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

	Pension	Other Postemployment Benefit
October 1, 2023 - September 30, 2024	13.90% - 23.03%	7.06% - 8.31%
October 1, 2022 - September 30, 2023	13.75% - 20.16%	7.21% - 8.07%

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

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Employer Contributions (continued)

The District's pension contributions for the year ended June 30, 2024 were equal to the required contribution total. Total pension contributions were approximately \$2,969,000. Of the total pension contributions approximately \$2,887,000 was contributed to fund the Defined Benefit Plan and approximately \$82,000 was contributed to fund the Defined Contribution Plan.

The District's OPEB contributions for the year ended June 30, 2024, were equal to the required contribution total. Total OPEB contributions were approximately \$678,000. Of the total OPEB contributions approximately \$603,000 was contributed to fund the Defined Benefit Plan and approximately \$75,000 was contributed to fund the Defined Contribution Plan.

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

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

The net pension liability was measured as of September 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2022, 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, 2023</u>	<u>September 30, 2022</u>
Total Pension Liability	\$ 94,947,828,557	\$ 95,876,795,620
Plan Fiduciary Net Position	\$ 62,581,762,238	\$ 58,268,076,344
Net Pension Liability	\$ 32,366,066,319	\$ 37,608,719,276
Proportionate Share	0.07099%	0.07152%
Net Pension Liability for the District	\$ 22,975,787	\$ 26,896,899

For the year ended June 30, 2024, the District recognized pension expense of \$2,460,768.

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

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

At June 30, 2024, 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	\$ -	\$ 470,159
Differences between expected and actual experience	725,275	35,195
Changes in proportion and differences between employer contributions and proportionate share of contributions	233	666,874
Changes of assumptions	3,113,324	1,795,072
Reporting Unit's contributions subsequent to the measurement date	2,659,024	-
	\$ 6,497,856	\$ 2,967,300

\$2,659,024, reported as deferred outflows of resources related to pensions resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

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

Year Ending September 30,	Amount
2024	\$ 188,285
2025	123,060
2026	911,372
2027	(351,185)

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

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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, 2023, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation date of September 30, 2022, 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, 2023</u>	<u>September 30, 2022</u>
Total other postemployment benefits liability	\$ 11,223,648,949	\$ 12,522,713,324
Plan fiduciary net position	\$ 11,789,347,341	\$ 10,404,650,683
Net other postemployment benefits liability (asset)	\$ (565,698,392)	\$ 2,118,062,641
Proportionate share	0.07132%	0.07004%
Net other postemployment benefits liability (asset) for the District	\$ (403,440)	\$ 1,483,480

For the year ended June 30, 2023, the District recognized OPEB benefit of \$780,427.

At June 30, 2023, 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	\$ 1,230	\$ -
Differences between expected and actual experience	-	3,048,603
Changes in proportion and differences between employer contributions and proportionate share of contributions	82,750	243,737
Changes of assumptions	898,129	108,152
Reporting Unit's contributions subsequent to the measurement date	<u>517,795</u>	<u>-</u>
	<u>\$ 1,499,904</u>	<u>\$ 3,400,492</u>

\$517,795, 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.

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

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

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

Year Ending September 30,	Amount
2024	\$ (776,733)
2025	(760,545)
2026	(304,454)
2027	(280,673)
2028	(198,115)
2029	(97,863)

Actuarial Assumptions

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

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

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

Inflation - 3.0%.

Mortality Assumptions -

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

Active: PubT-2010 Male and Female Employee Mortality Tables scaled 100% and MP-202 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 - The annual actuarial valuation report of the System used for these statements is dated September 30, 2022. 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.

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

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

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

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

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

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

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

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

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

The target asset allocation at September 30, 2023 and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Investment Category</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return*</u>
Domestic Equity Pools	25.00%	5.80%
International Equity Pools	15.00%	6.80%
Private Equity Pools	16.00%	9.60%
Real Estate and Infrastructure Pools	10.00%	6.40%
Fixed Income Pools	13.00%	1.30%
Absolute Return Pools	9.00%	4.80%
Real Return/Opportunistic Pools	10.00%	7.30%
Short Term Investment Pools	2.00%	0.30%
	<u>100.00%</u>	

* Long term rate of return are net of administrative expenses and 2.7% inflation.

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

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

Rate of Return - For fiscal year ended September 30, 2023, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was 8.29% and 7.94%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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

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

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

	Pension		
	1% Decrease	Discount Rate	1% Increase
Reporting Unit's proportionate share of the net pension liability	\$ 31,040,221	\$ 22,975,787	\$ 16,261,854

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 liability (asset)	\$ 418,247	\$ (403,440)	\$ (1,109,600)

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

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

Sensitivity to the Net OPEB Liability (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		
	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Reporting Unit's proportionate share of the net other postemployment benefit liability (asset)	\$ (1,111,360)	\$ (403,440)	\$ 362,761

Pension and OPEB Plan Fiduciary Net Position

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

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

NOTE 8 - RISK MANAGEMENT

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

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

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

NOTE 9 - INTERFUND RECEIVABLES AND PAYABLES

Interfund payable and receivable balances at June 30, 2024 are as follows:

Receivable Fund		Payable Fund	
General fund	\$ 430,659	Food service fund	\$ 38,951
		Student/school activities fund	83,219
		2015 Refunding fund	36,192
		2020 Debt fund	573
		Capital projects sinking fund	259,716
		2020 Bonded construction capital projects fund	12,008
	\$ 430,659		\$ 430,659

NOTE 10 - 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, 2024.

NOTE 11 - CONTINGENT LIABILITIES

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

NOTE 12 - UPCOMING ACCOUNTING PRONOUNCEMENTS

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. 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 District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2024-2025 fiscal year.

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

NOTE 12 - UPCOMING ACCOUNTING PRONOUNCEMENTS (continued)

In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures*. This Statement requires a government to assess whether a concentration or constraint makes the government vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. If a government determines that those criteria for disclosure have been met for a concentration or constraint, it should disclose information in notes to financial statements in sufficient detail to enable users of financial statements to understand the nature of circumstances disclosed and the government's vulnerability to the risk of substantial impact. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2024-2025 fiscal year.

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

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

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

REQUIRED SUPPLEMENTARY INFORMATION

**KENT CITY COMMUNITY SCHOOLS
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2024**

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Local sources	\$ 758,720	\$ 911,236	\$ 1,064,081	\$ 152,845
State sources	15,586,290	15,961,732	16,066,878	105,146
Federal sources	1,153,893	1,375,583	1,226,939	(148,644)
Intermediate school districts	1,534,767	1,529,144	1,677,476	148,332
TOTAL REVENUES	19,033,670	19,777,695	20,035,374	257,679
EXPENDITURES				
Current				
Instruction				
Basic programs	8,071,032	7,164,429	7,113,311	51,118
Added needs	2,655,235	2,735,170	2,340,233	394,937
Total instruction	10,726,267	9,899,599	9,453,544	446,055
Supporting services				
Pupil	1,543,627	1,735,047	1,624,129	110,918
Instructional staff	682,459	707,945	697,506	10,439
General administration	687,078	700,282	689,358	10,924
School administration	1,239,201	1,308,426	1,291,354	17,072
Business	222,030	288,368	289,642	(1,274)
Operation/maintenance	1,825,629	2,058,856	2,152,215	(93,359)
Pupil transportation	1,080,542	1,117,072	1,096,414	20,658
Central	430,960	425,025	402,012	23,013
Athletics	583,264	630,153	720,699	(90,546)
Total supporting services	8,294,790	8,971,174	8,963,329	7,845
Community services and shared time	22,540	331,368	238,007	93,361
TOTAL EXPENDITURES	19,043,597	19,202,141	18,654,880	547,261
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(9,927)	575,554	1,380,494	804,940
OTHER FINANCING SOURCES				
Transfers in	67,000	67,000	67,000	-
NET CHANGE IN FUND BALANCE	\$ 57,073	\$ 642,554	1,447,494	\$ 804,940
FUND BALANCE				
Beginning of year			4,187,327	
End of year			\$ 5,634,821	

**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)**

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Reporting Unit's proportion of net pension liability (%)	0.07099%	0.07152%	0.07351%	0.07544%	0.07571%	0.07626%	0.07925%	0.08010%	0.08141%	0.07838%
Reporting Unit's proportionate share of net pension liability	\$ 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	\$ 17,264,373
Reporting Unit's covered-employee payroll	\$ 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	\$ 6,564,727
Reporting Unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	319.45%	376.62%	253.30%	393.94%	373.24%	364.21%	309.54%	297.21%	291.38%	262.99%
Plan fiduciary net position as a percentage of total pension liability (Non-university employers)	65.91%	60.77%	72.60%	59.72%	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%

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

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required pension contributions	\$ 2,886,550	\$ 3,197,391	\$ 2,306,176	\$ 2,203,503	\$ 2,130,880	\$ 2,005,642	\$ 1,858,778	\$ 1,798,706	\$ 1,570,593	\$ 1,217,314
Pension contributions in relation to statutorily required contributions	<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>	<u>1,217,314</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reporting Unit's covered-employee payroll (pension)	\$ 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	\$ 6,564,727
Pension contributions as a percentage of covered-employee payroll	38.55%	41.36%	32.43%	33.08%	31.56%	29.24%	29.57%	26.68%	23.50%	18.54%

**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)**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Reporting Unit's proportion of net other postemployment benefits liability/asset (%)	0.07132%	0.07004%	0.07301%	0.07452%	0.07685%	0.07393%	0.07935%
Reporting Unit's proportionate share of net other postemployment benefits liability (asset)	\$ (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	\$ 7,192,249	\$ 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	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)	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)**

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required other postemployment benefits contributions	\$ 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>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>
Reporting Unit's covered-employee payroll (OPEB)	\$ 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	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, 2024**

NOTE 1 - PENSION INFORMATION

Benefit Changes - there were no changes of benefit terms in 2023.

Changes of Assumptions - the assumption changes for 2023 were:

- Mortality assumptions were updated to the Pub-2010 Male and Female Retiree Mortality Tables from the RP-2014 Male and Female Healthy Annuitant table.

NOTE 2 - OPEB INFORMATION

Benefit Changes - there were no changes of benefit terms in 2023.

Changes of Assumptions - the assumption changes for 2023 were:

- Healthcare Cost Trend Rate
 - Pre 65 decreased to 7.50% for year one graded to 3.50% for year fifteen from 7.75% for year one graded to 3.50% for year fifteen.
 - Post 65 increased to 6.25% for year one and graded to 3.5% for year fifteen from 5.25% for year one and graded to 3.5% for year fifteen.
- Mortality assumptions were updated to the Pub-2010 Male and Female Retiree Mortality Tables from the RP-2014 Male and Female Healthy Annuitant table.

ADDITIONAL SUPPLEMENTARY INFORMATION

**KENT CITY COMMUNITY SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES
JUNE 30, 2024**

	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	\$ 562,829	\$ 15,663	\$ 350,647	\$ 202,707	\$ 2,792	\$ 5,965	\$ -	\$ 1,140,603
Intergovernmental receivable	10,953	-	-	-	-	-	-	10,953
Prepays	2,390	-	-	-	-	-	-	2,390
Inventories	6,766	-	-	-	-	-	-	6,766
Restricted cash and cash equivalents - capital projects	-	-	-	-	-	-	342,330	342,330
TOTAL ASSETS	\$ 582,938	\$ 15,663	\$ 350,647	\$ 202,707	\$ 2,792	\$ 5,965	\$ 342,330	\$ 1,503,042
LIABILITIES AND FUND BALANCES								
LIABILITIES								
Accounts payable	\$ 31,770	\$ -	\$ 11,633	\$ -	\$ -	\$ -	\$ 8,251	\$ 51,654
Due to other funds	38,951	-	83,219	36,192	573	-	259,716	418,651
Unearned revenue	4,969	-	-	-	-	-	-	4,969
TOTAL LIABILITIES	75,690	-	94,852	36,192	573	-	267,967	475,274
FUND BALANCES								
Nonspendable								
Prepays	2,390	-	-	-	-	-	-	2,390
Inventories	6,766	-	-	-	-	-	-	6,766
Restricted								
Food service	498,092	-	-	-	-	-	-	498,092
Debt service	-	-	-	166,515	2,219	5,965	-	174,699
Capital projects	-	-	-	-	-	-	74,363	74,363
Committed								
Community services	-	15,663	-	-	-	-	-	15,663
Student/school activities	-	-	255,795	-	-	-	-	255,795
TOTAL FUND BALANCES	507,248	15,663	255,795	166,515	2,219	5,965	74,363	1,027,768
TOTAL LIABILITIES AND FUND BALANCES	\$ 582,938	\$ 15,663	\$ 350,647	\$ 202,707	\$ 2,792	\$ 5,965	\$ 342,330	\$ 1,503,042

KENT CITY COMMUNITY SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUND TYPES
YEAR ENDED JUNE 30, 2024

	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	\$ -	\$ -	\$ -	\$ 995,087	\$ 874,452	\$ 472,213	\$ 276,758	\$ 2,618,510
Sales	30,387	-	-	-	-	-	-	30,387
Student/school activities	-	-	301,270	-	-	-	-	301,270
State sources	146,278	-	-	11,324	12,946	-	2,839	173,387
Federal sources	1,012,626	-	-	-	-	-	-	1,012,626
Investment earnings	2,553	-	-	1,882	2,122	-	1,586	8,143
Other	-	44,325	-	-	-	-	-	44,325
TOTAL REVENUES	1,191,844	44,325	301,270	1,008,293	889,520	472,213	281,183	4,188,648
EXPENDITURES								
Current								
Food service	1,254,672	-	-	-	-	-	-	1,254,672
Student/school activities	-	-	295,976	-	-	-	-	295,976
Community services and shared time	-	42,704	-	-	-	-	-	42,704
Capital outlay	-	-	-	-	-	-	342,742	342,742
Debt service								
Principal repayment	-	-	-	725,000	210,000	325,000	-	1,260,000
Interest	-	-	-	227,800	849,650	145,730	-	1,223,180
Other	-	-	-	500	997	-	-	1,497
TOTAL EXPENDITURES	1,254,672	42,704	295,976	953,300	1,060,647	470,730	342,742	4,420,771
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(62,828)	1,621	5,294	54,993	(171,127)	1,483	(61,559)	(232,123)
OTHER FINANCING SOURCES (USES)								
School loan revolving fund issuance	-	-	-	-	132,417	-	-	132,417
Transfers out	(67,000)	-	-	-	-	-	-	(67,000)
TOTAL OTHER FINANCING SOURCES (USES)	(67,000)	-	-	-	132,417	-	-	65,417
NET CHANGE IN FUND BALANCES	(129,828)	1,621	5,294	54,993	(38,710)	1,483	(61,559)	(166,706)
FUND BALANCES								
Beginning of year	637,076	14,042	250,501	111,522	40,929	4,482	135,922	1,194,474
End of year	\$ 507,248	\$ 15,663	\$ 255,795	\$ 166,515	\$ 2,219	\$ 5,965	\$ 74,363	\$ 1,027,768

**KENT CITY COMMUNITY SCHOOLS
BONDED DEBT
JUNE 30, 2024**

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

Principal Due May 1	Interest Due		Debt Service Requirement for Fiscal Year	
	May 1	November 1	June 30,	Amount
\$ 715,000	\$ 99,400	\$ 99,400	2025	\$ 913,800
730,000	85,100	85,100	2026	900,200
725,000	70,500	70,500	2027	866,000
715,000	56,000	56,000	2028	827,000
705,000	41,700	41,700	2029	788,400
695,000	27,600	27,600	2030	750,200
685,000	13,700	13,700	2031	712,400
<u>\$ 4,970,000</u>	<u>\$ 394,000</u>	<u>\$ 394,000</u>		<u>\$ 5,758,000</u>

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

**KENT CITY COMMUNITY SCHOOLS
BONDED DEBT
JUNE 30, 2024**

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

Principal Due May 1	Interest Due		Debt Service Requirement for Fiscal Year	
	May 1	November 1	June 30,	Amount
\$ 215,000	\$ 420,625	\$ 420,625	2025	\$ 1,056,250
215,000	416,325	416,325	2026	1,047,650
220,000	412,025	412,025	2027	1,044,050
225,000	407,625	407,625	2028	1,040,250
230,000	402,000	402,000	2029	1,034,000
235,000	396,250	396,250	2030	1,027,500
240,000	390,375	390,375	2031	1,020,750
580,000	384,375	384,375	2032	1,348,750
610,000	369,875	369,875	2033	1,349,750
640,000	354,625	354,625	2034	1,349,250
670,000	338,625	338,625	2035	1,347,250
700,000	321,875	321,875	2036	1,343,750
730,000	304,375	304,375	2037	1,338,750
765,000	286,125	286,125	2038	1,337,250
800,000	267,000	267,000	2039	1,334,000
840,000	247,000	247,000	2040	1,334,000
880,000	226,000	226,000	2041	1,332,000
925,000	204,000	204,000	2042	1,333,000
970,000	180,875	180,875	2043	1,331,750
1,040,000	156,625	156,625	2044	1,353,250
1,045,000	130,625	130,625	2045	1,306,250
1,045,000	104,500	104,500	2046	1,254,000
1,045,000	78,375	78,375	2047	1,201,750
1,045,000	52,250	52,250	2048	1,149,500
1,045,000	26,125	26,125	2049	1,097,250
<u>\$ 16,955,000</u>	<u>\$ 6,878,475</u>	<u>\$ 6,878,475</u>		<u>\$ 30,711,950</u>

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

**KENT CITY COMMUNITY SCHOOLS
BONDED DEBT
JUNE 30, 2024**

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

Principal Due May 1	Interest Due		Debt Service Requirement for Fiscal Year	
	May 1	November 1	June 30,	Amount
\$ 380,000	\$ 69,791	\$ 69,790	2025	\$ 519,581
415,000	66,006	66,005	2026	547,011
470,000	61,679	61,679	2027	593,358
530,000	56,662	56,662	2028	643,324
590,000	50,784	50,784	2029	691,568
655,000	44,094	44,093	2030	743,187
720,000	36,502	36,502	2031	793,004
1,125,000	27,978	27,977	2032	1,180,955
1,165,000	14,376	14,376	2033	1,193,752
<u>\$ 6,050,000</u>	<u>\$ 427,872</u>	<u>\$ 427,868</u>		<u>\$ 6,905,740</u>

The bonds were approved by the Board of Education at the November 5, 2019, meeting to refinance a portion of the principal and interest relating to borrowings from the State of Michigan through the school bond loan fund and school loan revolving fund. The bonds carry interest rates from 1.99% to 2.47%.

**KENT CITY COMMUNITY SCHOOLS
SCHEDULE OF BORROWINGS - STATE OF MICHIGAN
SCHOOL BOND LOAN PROGRAMS
JUNE 30, 2024**

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

Year Ended June 30,	SBLF			SLRF		
	Net Loan Proceeds (Repayments)	Net Interest Accrued (Repayments)	Total	Net Loan Proceeds (Repayments)	Net Interest Accrued (Repayments)	Total
Prior to July 1, 2012	\$ 2,316,477	\$ 1,138,992	\$ 3,455,469	\$ 2,152,084	\$ 385,459	\$ 2,537,543
2013	-	150,130	150,130	161,097	80,673	241,770
2014	-	126,991	126,991	109,831	98,839	208,670
2015	-	128,675	128,675	174,562	104,155	278,717
2016	-	131,556	131,556	-	111,327	111,327
2017	-	126,805	126,805	-	106,688	106,688
2017	-	-	-	(109,831)	(25,216)	(135,047)
2018	-	129,591	129,591	-	105,049	105,049
2018	-	-	-	(81,814)	(18,186)	(100,000)
2019	-	140,811	140,811	-	110,857	110,857
2019	-	-	-	(92,748)	(157,252)	(250,000)
2020	-	98,549	98,549	-	66,644	66,644
2020	(1,897,431)	(2,170,351)	(4,067,782)	(2,313,181)	(969,037)	(3,282,218)
2021	-	12,673	12,673	515,984	7,589	523,573
2022	-	11,036	11,036	14,519	13,393	27,912
2023	-	15,336	15,336	221,910	20,803	242,713
2024	-	20,280	20,280	132,417	36,214	168,631
Total	\$ 419,046	\$ 61,074	\$ 480,120	\$ 884,830	\$ 77,999	\$ 962,829

**KENT CITY COMMUNITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2024**

Federal Grantor/Pass-through Grantor/Program Title	Federal Assistance Listing Number	Pass-through Grantor Number	Program or Award Amount	Accrued Revenue 7/1/2023	Prior Year Expenditures (Memorandum Only)	Current Year Expenditures	Current Year Receipts (Repayments)	Accrued Revenue 6/30/2024
U.S. DEPARTMENT OF AGRICULTURE								
Passed through the Michigan Department of Education								
Child Nutrition Cluster								
Non-Cash Assistance (Donated Foods)								
Entitlement Donated Foods	10.555	N/A	\$ 68,596	\$ -	\$ -	\$ 68,596	\$ 68,596	\$ -
Entitlement Donated Foods - Bonus		N/A	5,597	-	-	5,597	5,597	-
Total non-cash assistance (donated foods)			74,193	-	-	74,193	74,193	-
Cash Assistance								
National School Lunch Program	10.555	231960	497,951	-	406,003	91,948	91,948	-
		231980	1,564	-	800	764	764	-
		240910	36,491	-	-	36,491	36,491	-
		241960	504,724	-	-	504,724	504,724	-
		241980	5,809	-	-	5,809	5,809	-
Total cash assistance			1,046,539	-	406,803	639,736	639,736	-
Total ALN 10.555			1,120,732	-	406,803	713,929	713,929	-
National School Breakfast Program	10.553	231970	197,329	-	159,305	38,024	38,024	-
		241970	233,311	-	-	233,311	233,311	-
Total ALN 10.553			430,640	-	159,305	271,335	271,335	-
Summer Food Service Program for Children	10.559	230900	18,487	6,618	6,618	11,869	18,487	-
		240900	5,274	-	-	5,274	-	5,274
Total ALN 10.559			23,761	6,618	6,618	17,143	18,487	5,274
Total Child Nutrition Cluster			1,575,133	6,618	572,726	1,002,407	1,003,751	5,274
Local Food For Schools	10.185	230985-2023	7,464	-	-	7,464	7,464	-
		230985-2024	2,755	-	-	2,755	2,755	-
Total ALN 10.185			10,219	-	-	10,219	10,219	-
TOTAL U.S. DEPARTMENT OF AGRICULTURE			1,585,352	6,618	572,726	1,012,626	1,013,970	5,274

The accompanying notes are an integral part of this schedule.

**KENT CITY COMMUNITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2024**

Federal Grantor/Pass-through Grantor/Program Title	Federal Assistance Listing Number	Pass-through Grantor Number	Program or Award Amount	Accrued Revenue 7/1/2023	Prior Year Expenditures (Memorandum Only)	Current Year Expenditures	Current Year Receipts (Repayments)	Accrued Revenue 6/30/2024
U.S. DEPARTMENT OF EDUCATION								
Passed through the Michigan Department of Education								
Title I Grants to Local Educational Agencies	84.010	231530-2223 241530-2324	\$ 190,110 228,578	\$ 190,110 -	\$ 190,110 -	\$ - 228,578	\$ 190,110 228,578	\$ - -
Total ALN 84.010			418,688	190,110	190,110	228,578	418,688	-
Migrant Education State Grant Program	84.011	231890-2223 231830-2223 241890-2324	69,492 215,457 40,877	69,492 98,646 -	69,492 98,646 -	- 116,811 17,503	69,492 215,457 17,503	- - -
Total ALN 84.011			325,826	168,138	168,138	134,314	302,452	-
English Learning Acquisition State Grants	84.365	230580-2223 240580-2324	36,208 15,904	36,208 -	36,208 -	- 15,904	36,208 -	- 15,904
Total ALN 84.365			52,112	36,208	36,208	15,904	36,208	15,904
Supporting Effective Instruction State Grants	84.367	230520-2223 240520-2324	41,866 43,041	41,866 -	41,866 -	- 43,041	41,866 43,041	- -
Total ALN 84.367			84,907	41,866	41,866	43,041	84,907	-
Student Support and Academic Enrichment Program	84.424	230750-2223 240750-2324	18,028 18,323	18,028 -	18,028 -	- 18,323	18,028 18,323	- -
Total ALN 84.424			36,351	18,028	18,028	18,323	36,351	-
Education Stabilization Fund								
COVID-19 Elementary and Secondary School Emergency Relief Fund (98c Learning Loss)	84.425D	213782-2223	64,696	64,696	64,696	-	64,696	-
Emergency Relief Fund (ARP II Homeless)	84.425W	211012-2122	19,452	-	-	13,820	13,820	-
Emergency Relief Fund (ESSER III Formula Funds)	84.425U	213713-2122	1,573,874	533,732	1,057,204	516,670	1,050,402	-
Total ALN 84.425			1,658,022	598,428	1,121,900	530,490	1,128,918	-
Total Passed through the Michigan Department of Education			2,575,906	1,052,778	1,576,250	970,650	2,007,524	15,904

The accompanying notes are an integral part of this schedule.

**KENT CITY COMMUNITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2024**

Federal Grantor/Pass-through Grantor/Program Title	Federal Assistance Listing Number	Pass-through Grantor Number	Program or Award Amount	Accrued Revenue 7/1/2023	Prior Year Expenditures (Memorandum Only)	Current Year Expenditures	Current Year Receipts (Repayments)	Accrued Revenue 6/30/2024
U.S. DEPARTMENT OF EDUCATION (continued)								
Passed through Kent Intermediate School District								
Special Education Cluster								
Special Education Grants to States	84.027A	230450-2223 240450-2324	\$ 273,226 <u>202,772</u>	\$ 103,310 <u>-</u>	\$ 259,378 <u>-</u>	\$ - <u>202,772</u>	\$ 103,310 <u>202,772</u>	\$ - <u>-</u>
Total ALN 84.027			<u>475,998</u>	<u>103,310</u>	<u>259,378</u>	<u>202,772</u>	<u>306,082</u>	<u>-</u>
Special Education Preschool Grant	84.173A	230460-2223 240460-2324	18,555 <u>15,063</u>	5,031 <u>-</u>	15,001 <u>-</u>	- <u>15,063</u>	5,031 <u>15,063</u>	- <u>-</u>
Total ALN 84.173			<u>33,618</u>	<u>5,031</u>	<u>15,001</u>	<u>15,063</u>	<u>20,094</u>	<u>-</u>
Total Special Education Cluster			<u>509,616</u>	<u>108,341</u>	<u>274,379</u>	<u>217,835</u>	<u>326,176</u>	<u>-</u>
Education for Homeless Children and Youth	84.196	242320-2324	2,556	-	-	2,556	2,556	-
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>3,088,078</u>	<u>1,161,119</u>	<u>1,850,629</u>	<u>1,191,041</u>	<u>2,336,256</u>	<u>15,904</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES								
Passed through Kent Intermediate School District								
Medicaid Cluster								
Medicaid Outreach	93.778	2022-2023 2023-2024	3,544 <u>5,675</u>	3,544 <u>-</u>	3,544 <u>-</u>	- <u>5,675</u>	3,544 <u>5,675</u>	- <u>-</u>
Total Medicaid Cluster			<u>9,219</u>	<u>3,544</u>	<u>3,544</u>	<u>5,675</u>	<u>9,219</u>	<u>-</u>
COVID-19 Epidemiology and Laboratory Capacity for Infectious Diseases	93.323	242810-HRA2024	30,223	-	-	30,223	30,223	-
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>39,442</u>	<u>3,544</u>	<u>3,544</u>	<u>35,898</u>	<u>39,442</u>	<u>-</u>
TOTAL FEDERAL AWARDS			<u>\$ 4,712,872</u>	<u>\$ 1,171,281</u>	<u>\$ 2,426,899</u>	<u>\$ 2,239,565</u>	<u>\$ 3,389,668</u>	<u>\$ 21,178</u>

The accompanying notes are an integral part of this schedule.

**KENT CITY COMMUNITY SCHOOLS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2024**

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Kent City Community Schools under programs of the federal government for the year ended June 30, 2024. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Kent City Community Schools, it is not intended to and does not present the financial position or changes in net position of Kent City Community Schools.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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



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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, 2024, and the related notes to the financial statements, which collectively comprise the Kent City Community Schools' basic financial statements and have issued our report thereon dated October 18, 2024.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. During our audit we did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as 2024-001, 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 2024-001, 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.

Maney Costeiron PC

October 18, 2024



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

To the Board of Education
Kent City Community Schools

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Kent City Community Schools' compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Kent City Community Schools' major federal programs for the year ended June 30, 2024. Kent City Community Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Kent City Community Schools complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

Manes Costeiran PC

October 18, 2024

**KENT CITY COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2024**

Section I - Summary of Auditor's Results

Financial Statements

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

Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? X Yes None

Federal Awards

Internal control over major programs:

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

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

Unmodified

Any audit findings that are required to be reported in accordance with Title 2 CFR Section 200.516(a)? Yes X No

Identification of major programs:

Assistance Listing Number(s)	Name of Federal Program or Cluster
10.553, 10.555, 10.559	Child Nutrition Cluster

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

\$750,000

Auditee qualified as low-risk auditee? Yes X No

**KENT CITY COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2024**

Section II - Financial Statement Findings

Finding 2024-001: 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, 2024.

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.

Section III - Federal Award Findings and Questioned Costs

None



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, 2024**

Kent City Community Schools respectfully submits the following corrective action plan for the year ended June 30, 2024.

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

Audit Period: Year ended June 30, 2024

District Contact Person: Bill Crane, Superintendent

The findings from the June 30, 2024, 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 2024-001: 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.

**KENT CITY COMMUNITY SCHOOLS
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2024**

Section II - Financial Statement Findings

Finding 2022-001 and 2023-001: Material Weakness - Audit Adjustments

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

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

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

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

Context: Accounts were not reconciled on a timely basis throughout the fiscal year. This led to significant audit journal entries, necessary to adjust related accounts to correct balances as of June 30, 2022, and June 30, 2023.

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

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

Status: As of the fiscal year ended June 30, 2024, this finding has not been resolved. See Financial Statement Findings 2024-001.