

KINGSTON COMMUNITY SCHOOLS
Kingston, Michigan

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

YEAR ENDED JUNE 30, 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Kingston Community Schools
Kingston, Michigan 48741

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Kingston Community Schools, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Kingston Community Schools as of June 30, 2021, 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.

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Other Matters

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Kingston Community Schools' basic financial statements. The 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* (CRF) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The additional supplementary 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional supplementary information is fairly stated, in all material respects, in relation to the 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 28, 2021 on our consideration of Kingston 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 Kingston 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 Kingston Community Schools' internal control over financial reporting and compliance.

Anderson, Tuckey, Bernhardt & Doran, P.C.

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CARO, MICHIGAN

October 28, 2021

Kingston Community Schools Management's Discussion and Analysis

Kingston Community School District, a K-12 school district located in Tuscola County, Michigan, has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Kingston Community School District administration's discussion and analysis of the financial results for the fiscal years ended June 30, 2021 and June 30, 2020.

Generally accepted accounting principles (GAAP), according to GASB 34, require the reporting of two types of financial statements: fund financial statements and government-wide financial statements.

Fund Financial Statements

The fund level statements are reported on a modified accrual basis in that only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

The fund statements are formatted to comply with the legal 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. These include Special Revenue Funds, Debt Service Funds, and Capital Projects Fund.

In the fund financial statements, capital assets purchased are reported as expenditures in the year of acquisition with no asset being reported. The issuance of debt is recorded 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.

Government-wide Financial Statements

The government-wide financial statements are required by GASB 34. These statements are calculated using full accrual accounting and more closely represent those presented by business and industry. All of the District's assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation, as well as the bonded debt of the District.

Kingston Community Schools

Management's Discussion and Analysis

Summary of Net Position

The following schedule summarizes the net position at fiscal year ended June 30, 2021 and 2020:

Assets	6/30/2021	6/30/2020
Current assets	\$ 3,307,210	\$ 2,905,956
Capital assets (net of depreciation)	8,762,478	8,772,534
Total assets	<u>12,069,688</u>	<u>11,678,490</u>
Deferred Outflows of Resources		
Related to other postemployment benefits	826,396	743,977
Related to pensions	2,450,978	3,211,847
Total deferred outflows of resources	<u>3,277,374</u>	<u>3,955,824</u>
Liabilities		
Current liabilities	658,257	662,978
Net pension liability	11,448,610	11,229,587
Net other postemployment benefit liabilities	1,770,992	2,446,723
Long-term liabilities	6,336,872	6,660,341
Total liabilities	<u>20,214,731</u>	<u>20,999,629</u>
Deferred Inflows of Resources		
Related to pensions	411,424	778,254
Related to other postemployment benefits	1,492,467	1,073,304
Related to state aid funding for pension	429,950	375,194
Deferred gain on bond refunding	33,592	38,568
Total deferred inflows of resources	<u>2,367,433</u>	<u>2,265,320</u>
Net Position		
Net investment in capital assets	2,433,385	2,384,975
Restricted for:		
Debt service	142,790	145,257
Woloshen	108,051	91,639
Unrestricted	(9,919,328)	(10,252,506)
Total net position	<u>\$ (7,235,102)</u>	<u>\$ (7,630,635)</u>

Analysis of Financial Position

During the fiscal year ended June 30, 2021, the District's net position increased by \$395,533. A few of the more significant factors affecting net position during the year are discussed below.

1. Net Pension Liability & Net OPEB Liability

Beginning June 30, 2015, GASB 68 requires school districts to estimate and record its portion of the employee's net pension liability. The district's net pension liability increased from \$11,229,587 at June 30, 2020 to the net pension liability of \$11,448,610 as of June 30, 2021. Beginning in June 30, 2018, GASB 75 required school districts to estimate and record its portion of net OPEB liability. The district's net OPEB liability decreased from \$2,446,723 at June 30, 2020 to \$1,770,992 as of June 30, 2021. This impacts the government wide statements only, not individual funds.

Kingston Community Schools Management's Discussion and Analysis

2. Depreciation Expense

GASB 34 requires school districts to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net position.

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of the assets. In accordance with GAAP, depreciation expense is calculated based on the original cost of the asset less an estimated salvage value, where applicable. For the fiscal years ended June 30, 2021 and June 30, 2020, \$318,547 and \$244,865 were recorded for depreciation expense.

3. Capital Outlay Acquisitions

For the fiscal year ended June 30, 2021, \$343,495 of expenditures were capitalized and recorded as assets of the District. These additions to the District's capital assets will be depreciated over time as explained above.

The net effect of the new capital assets and the current year's depreciation is a decrease to capital assets in the amount of \$10,056 for the fiscal year ended June 30, 2021.

Results of Operations

For the fiscal year ended June 30, 2021 and 2020, the results of operations, on a District-wide basis, were:

	Year Ended June 30, 2021		Year Ended June 30, 2020	
	Amount	% of Total	Amount	% of Total
General Revenues				
Property Taxes	\$ 1,005,302	12.10%	\$ 949,803	13.12%
Investment earnings	5,425	0.07%	30,906	0.43%
State sources	4,687,668	56.42%	4,235,440	58.49%
Other	176,783	2.13%	151,525	2.09%
Total general revenues	5,875,178	70.71%	5,367,674	74.12%
Program Revenues				
Charges for services	104,449	1.26%	135,020	1.86%
Operating grants and contributions	2,328,902	28.03%	1,739,102	24.01%
Total revenues	8,308,529	100.00%	7,241,796	100.00%
Expenses				
Instruction	3,992,056	50.45%	3,922,778	50.57%
Support services	2,603,133	32.90%	2,533,279	32.66%
Community services	128,280	1.62%	101,468	1.31%
Food services	508,205	6.42%	498,576	6.43%
Interest on long-term debt	212,078	2.68%	220,069	2.84%
Capital outlay	34,609	0.44%	51,751	0.67%
Unallocated depreciation expense	318,547	4.03%	244,865	3.16%
Other	116,088	1.47%	184,434	2.38%
Total expenses	7,912,996	100.00%	7,757,220	100.00%
Change in net position	\$ 395,533		\$ (515,424)	

Kingston Community Schools Management's Discussion and Analysis

Analysis of Significant Revenues and Expenses

Significant revenues and expenditures are discussed in the segments below:

1. Property Taxes

The District levied 18.0000 mills of property taxes for operations on non-homestead properties. According to Michigan law, the taxable levy is based on the taxable valuation of properties. The annual taxable valuation increases are capped at the rate of the prior year's Consumer's Price Index increase or 5%, whichever is less. At the time property is sold, its taxable valuation is readjusted to the State Equalized Value, which in theory is half of the property's market value.

For the 2020-2021 fiscal year, the district levied \$475,409 non-homestead property taxes. This represented an increase of \$38,413 from the prior year.

The following table summarizes the non-homestead property tax levies for operations for the past five years:

Fiscal Year	Non-homestead Tax Levy	Increase (Decrease) from prior year
2020 - 2021	\$475,409	\$38,413
2019 - 2020	436,996	8,311
2018 - 2019	428,685	28,741
2017 - 2018	399,944	26,695
2016 - 2017	376,249	32,616

2. State Sources

The majority of the state sources is comprised of the per student foundation allowance. The State of Michigan funds districts based on a blended student enrollment. For the 2020-2021 fiscal year, the District's foundation allowance was \$8,111 per student FTE, which was the same amount received in the 2019-2020 fiscal year.

3. Student Enrollment

The following schedule lists the actual blended student FTE for the past five fiscal years:

2020 -- 2021	598
2019 -- 2020	584
2018 -- 2019	595
2017 -- 2018	587
2016 -- 2017	615

4. Operating Grants

The District funds a significant portion of its operations with categorical sources. For the fiscal year ended June 30, 2021, federal, state and other operating grants accounted for \$2,328,902. This represents an increase of \$589,800 over the total grant sources received for the 2019-2020 fiscal year.

Kingston Community Schools Management's Discussion and Analysis

5. Interest Earnings

The District received interest on its investments in the amount of \$5,425 for the fiscal year ended June 30, 2020. This represents a decrease over the prior fiscal year of \$25,481.

General Fund Budgetary Highlights

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 its starting on July 1st. Any amendments made to the operating budget must be approved by the Board prior to the close of the fiscal year on June 30th.

For the 2020-2021 fiscal year, the district amended the general fund budget two times with the Board adopting the final changes in June 2021. The following schedule shows a comparison of the original general fund budget, the final amended general fund budget and actual totals from operations:

	Original Budget	Final Budget	Actual	Variance with Final Budget	% Variance
Total revenues	<u>\$ 5,880,485</u>	<u>\$ 7,087,907</u>	<u>\$ 7,165,832</u>	<u>\$ 77,925</u>	<u>1.10%</u>
Expenditures					
Instruction	\$ 3,640,413	\$ 3,873,747	\$ 3,826,630	\$ 47,117	1.22%
Supporting services	2,285,359	2,503,570	2,552,620	(49,050)	-1.96%
Other	<u>256,884</u>	<u>267,569</u>	<u>122,800</u>	<u>144,769</u>	<u>54.11%</u>
Total expenditures	<u>\$ 6,182,656</u>	<u>\$ 6,644,886</u>	<u>\$ 6,502,050</u>	<u>\$ 142,836</u>	<u>2.15%</u>
Total other financing sources (uses)	<u>\$ (55,362)</u>	<u>\$ (40,362)</u>	<u>\$ (113,703)</u>	<u>\$ (73,341)</u>	<u>181.71%</u>

Capital Asset and Debt Administration

Capital Assets

By the end of the 2020-2021 fiscal year, the district had invested \$17,950,203 in a broad range of capital assets, including school buildings and facilities, school buses and other vehicles, and various types of equipment. This represents an increase of \$239,066. Depreciation expense for the year amounted to \$318,547, bringing the total accumulated depreciation to \$9,187,725 as of June 30, 2021.

Long-term Debt

At June 30, 2021, the District had \$6,336,872 in long-term debt outstanding. This represents a decrease of \$323,469 over the amount outstanding at the close of the prior fiscal year.

Kingston Community Schools Management's Discussion and Analysis

Factors Bearing on the District's Future

At the time that these financial statements were prepared and audited, the District was aware of the following items that could significantly affect its financial health in the future.

- The District is projected to see a decrease in students for the 2021-2022 school year.
- The District will incur additional costs associated with the COVID-19 virus. These costs include (but not limited to), purchasing hotspot devices for families with no internet service, providing additional PPE (personal protection equipment) to keep staff and students safe, and purchasing additional cleaning supplies to keep the District's buildings clean and sanitized. The new delivery model of education post COVID and how this will impact the hiring of staff members in the future, may have an impact on the District.
- As with other employers, the District continues to face increases in rates paid for employee benefits, particularly for health insurance and retirement.
- The District will receive additional financial federal funding through ESSER II and ESSER III.

Contacting the District's Financial Management

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

Matt Drake, Superintendent
Kingston Community Schools
5790 State St.
Kingston, MI 48741
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BASIC FINANCIAL STATEMENTS

KINGSTON COMMUNITY SCHOOLS
STATEMENT OF NET POSITION
JUNE 30, 2021

	GOVERNMENTAL ACTIVITIES
ASSETS	
Cash and cash equivalents	\$ 2,160,044
Investments	81,514
Accounts receivable	2,241
Intergovernmental receivables	1,057,975
Cash - restricted capital projects	3,118
Investments - restricted capital projects	2,318
Capital assets not being depreciated	28,200
Capital assets, net of accumulated depreciation	8,734,278
TOTAL ASSETS	12,069,688
DEFERRED OUTFLOWS OF RESOURCES	
Related to other postemployment benefits	826,396
Related to pensions	2,450,978
TOTAL DEFERRED OUTFLOWS OF RESOURCES	3,277,374
LIABILITIES	
Accrued salaries and related items	429,935
Accrued retirement	174,942
Unearned revenue	16,041
Accrued interest payable	37,339
Noncurrent liabilities:	
Due within one year	305,000
Due in more than one year	6,031,872
Net other postemployment benefits liability	1,770,992
Net pension liability	11,448,610
TOTAL LIABILITIES	20,214,731
DEFERRED INFLOWS OF RESOURCES	
Related to pensions	411,424
Related to other postemployment benefit liabilities	1,492,467
Related to state aid funding for pension	429,950
Deferred gain on bond refunding, net of amortization	33,592
TOTAL DEFERRED INFLOWS OF RESOURCES	2,367,433
NET POSITION	
Net investment in capital assets	2,433,385
Restricted for debt service	142,790
Restricted for special revenue (Woloshen)	108,051
Unrestricted	(9,919,328)
TOTAL NET POSITION	\$ (7,235,102)

See notes to financial statements.

KINGSTON COMMUNITY SCHOOLS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021

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	\$ 3,992,056	\$ 61,529	\$ 1,200,482	\$ (2,730,045)
Support services	2,603,133	36,750	514,492	(2,051,891)
Community service	128,280	-		(128,280)
Food services	508,205	6,170	543,471	41,436
Public library	31,470		500	(30,970)
Woloshen	268			(268)
Student/school activities	83,337		69,957	(13,380)
Interest on long-term debt	212,078			(212,078)
Capital outlay	34,609			(34,609)
Other	1,013			(1,013)
Unallocated depreciation	318,547			(318,547)
Total governmental activities	\$ 7,912,996	\$ 104,449	\$ 2,328,902	(5,479,645)
General revenues:				
Property taxes, levied for general purposes				475,409
Property taxes, levied for debt service				529,893
State of Michigan school aid unrestricted				4,687,668
Investment earnings				5,425
Penal fines				20,792
Sale of capital assets				800
Other				155,191
Total general revenue				5,875,178
Change in net position				395,533
Net position, beginning of year				(7,630,635)
Net position, end of year				\$ (7,235,102)

KINGSTON COMMUNITY SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2021

	GENERAL FUND	2018 CAPITAL PROJECTS	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>ASSETS</u>				
Cash and cash equivalents	\$ 1,532,217	\$ -	\$ 627,827	\$ 2,160,044
Investments			81,514	81,514
Accounts receivable	304		1,937	2,241
Due from other funds	33,288		8,800	42,088
Intergovernmental receivables	1,036,153		21,822	1,057,975
Cash - restricted capital projects		3,118		3,118
Investments - restricted capital projects		2,318		2,318
TOTAL ASSETS	<u>\$ 2,601,962</u>	<u>\$ 5,436</u>	<u>\$ 741,900</u>	<u>\$ 3,349,298</u>
<u>LIABILITIES & FUND BALANCE</u>				
LIABILITIES:				
Accrued salaries and related items	\$ 429,935	\$ -	\$ -	\$ 429,935
Accrued retirement	174,942		-	174,942
Unearned revenue	16,041			16,041
Due to other funds	-		42,088	42,088
TOTAL LIABILITIES	<u>620,918</u>	<u>-</u>	<u>42,088</u>	<u>663,006</u>
FUND BALANCE:				
Restricted for:				
Debt service			180,129	180,129
Capital projects		5,436		5,436
Food service			103,989	103,989
Public library			6,637	6,637
Woloshen			108,051	108,051
Committed for:				
Capital projects			212,260	212,260
Student/school activities			87,981	87,981
Assigned for:				
Compensated absences	35,935			35,935
Subsequent year expenditures			765	765
Unassigned	1,945,109			1,945,109
TOTAL FUND BALANCE	<u>1,981,044</u>	<u>5,436</u>	<u>699,812</u>	<u>2,686,292</u>
TOTAL LIABILITIES & FUND BALANCE	<u>\$ 2,601,962</u>	<u>\$ 5,436</u>	<u>\$ 741,900</u>	<u>\$ 3,349,298</u>

See notes to financial statements.

KINGSTON COMMUNITY SCHOOLS
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2021

Total Fund Balances - Governmental Funds \$ 2,686,292

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

Deferred outflows of resources - related to pensions	2,450,978
Deferred outflows of resources - related to other postemployment benefits	826,396
Deferred inflows of resources - related to pensions	(411,424)
Deferred inflows of resources - related to other postemployment benefits	(1,492,467)
Deferred inflows of resources - related to state aid funding for pension	(429,950)
Deferred inflows of resources - gain on refunding, net of amortization	(33,592)

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

The cost of the capital assets is:	17,950,203
Accumulated depreciation is:	(9,187,725)

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

Long term debt obligations	(6,300,937)
Compensated absences	(35,935)
Accrued interest is not reported as a liability in governmental funds; it is recorded when paid	(37,339)
Net other postemployment benefit liability	(1,770,992)
Net pension liability	<u>(11,448,610)</u>

Net Position of Governmental Activities \$ (7,235,102)

KINGSTON COMMUNITY SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2021

	GENERAL FUND	2018 CAPITAL PROJECTS	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:				
Local sources				
Property taxes	\$ 475,409	\$ -	\$ 529,893	\$ 1,005,302
Charges for services	98,279		6,170	104,449
Investment earnings	3,170	213	2,042	5,425
Student activity income			69,957	69,957
Other	137,021		38,962	175,983
State sources	5,625,730		43,893	5,669,623
Federal sources	826,223		505,523	1,331,746
TOTAL REVENUES	7,165,832	213	1,196,440	8,362,485
EXPENDITURES:				
Instruction	3,826,630			3,826,630
Supporting services	2,552,620			2,552,620
Community services	122,800			122,800
Food service			497,241	497,241
Public library			28,728	28,728
Woloshen			268	268
Student/school activities			83,337	83,337
Capital outlay		262,144	50,054	312,198
Debt services:				
Principal payments	-		300,000	300,000
Interest	-		234,163	234,163
Fees		-	1,013	1,013
TOTAL EXPENDITURES	6,502,050	262,144	1,194,804	7,958,998
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	663,782	(261,931)	1,636	403,487
OTHER FINANCING SOURCES (USES):				
Sale of capital assets	800			800
Transfers out	(114,503)	-	(665)	(115,168)
Transfers in	-	-	115,168	115,168
TOTAL OTHER FINANCING SOURCES (USES)	(113,703)	-	114,503	800
NET CHANGE IN FUND BALANCES	550,079	(261,931)	116,139	404,287
FUND BALANCES - BEGINNING OF YEAR	1,430,965	267,367	583,673	2,282,005
FUND BALANCES - END OF YEAR	\$ 1,981,044	\$ 5,436	\$ 699,812	\$ 2,686,292

See notes to financial statements.

KINGSTON 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, 2021

Total net change in fund balances--governmental funds \$ 404,287

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of these assets are allocated over their useful lives as depreciation:

Depreciation expense	(318,547)
Capital outlay	426,895
Construction in progress	(83,400)
Net book value of disposals	(35,004)

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, 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 in the treatment of long-term debt and related items is as follows:

Payments on debt	300,000
Amortization of bond premium	18,850
Amortization of bond discount	(3,429)
Amortization of deferred gain	4,976

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources.

Accrued interest payable at the beginning of the year	39,027
Accrued interest payable at the end of the year	(37,339)

Accrued compensated absences are recorded in the statement of activities when incurred, but it is not recorded in the governmental funds until it is paid.

Accrued absences at the beginning of the year	43,983
Accrued absences at the end of the year	(35,935)

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

Other postemployment benefit related items	338,987
Pension related items	(613,062)

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	(54,756)
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Change in net position of governmental activities **\$ 395,533**

See notes to financial statements.

KINGSTON COMMUNITY SCHOOLS
Notes to Financial Statements
Year Ended June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

DESCRIPTION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS:

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the District. *Governmental activities* normally are supported by taxes and intergovernmental revenues.

REPORTING ENTITY:

Kingston Community Schools (the "District") is governed by the Kingston 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 government sources and must comply with all the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board (GASB) Statements.

BASIS OF PRESENTATION – GOVERNMENT-WIDE FINANCIAL STATEMENTS:

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from 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. Separate statements for each fund category – governmental – are presented. 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 *2018 capital projects fund* accounts for financial resources that are restricted to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

The *2018 capital projects fund* includes capital project 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.

KINGSTON COMMUNITY SCHOOLS
Notes to Financial Statements
Year Ended June 30, 2021

Beginning with the year of bond issuance, the District has reported the annual construction activity in the *2018 capital projects fund*. The projects for which the 2018 bonds were issued were considered substantially complete as of June 30, 2020.

The following is a summary of the cumulative revenue and expenditures recognized for the capital projects bond activity since inception is as follows:

	Total
Revenue and other financing sources	\$ 5,056,338
Expenditures and outgoing transfers	\$ 5,050,902

Revenues and other financing sources include the net bond proceeds of \$4,955,574.

OTHER NON-MAJOR FUNDS

The *debt service funds* account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental 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, library, the Woloshen account, and student/school activities in the special revenue funds.

The *non-bond capital projects fund* is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

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 and advances to/from other funds. While these balances are reported in fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

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

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING:

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

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

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

KINGSTON COMMUNITY SCHOOLS
Notes to Financial Statements
Year Ended June 30, 2021

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 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 capital lease 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 the 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 Exception (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 30th is reported as an intergovernmental receivable.

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 fund. Capital projects funds are appropriated on a project-length basis. 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.

KINGSTON COMMUNITY SCHOOLS
Notes to Financial Statements
Year Ended June 30, 2021

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

1. 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.
2. Public hearings are conducted to obtain taxpayer comments.
3. 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, or in excess of the amount appropriated. Violations, if any, in the general fund and food service fund are noted in the required supplementary information section.
4. 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.
5. The budget was amended during the year with supplemental appropriations, the last one approved prior to the year ended June 30th. The District does not consider these amendments to be significant.

ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE:

1. 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.

2. 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 (3) highest classifications established by not less than two (2) 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.

KINGSTON COMMUNITY SCHOOLS
Notes to Financial Statements
Year Ended June 30, 2021

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.

3. 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 government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

4. Capital assets

Capital assets, which include property, plant equipment, and transportation vehicles, 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 \$3,000 and an estimated useful life in excess of two years. 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.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

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

Buildings and additions	20 - 50 years
Furniture and other equipment	5 - 20 years

5. Defined benefit plan

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

6. Deferred outflows/inflows of resources

Deferred outflows

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The District has two items that qualify for reporting in this category. They are the deferred charge on pension and other postemployment benefits related items reported in the government-wide statement of net position. A deferred outflow is recognized for pension and other postemployment benefit related items. These amounts are expensed in the plan year in which they apply.

KINGSTON COMMUNITY SCHOOLS
Notes to Financial Statements
Year Ended June 30, 2021

Deferred inflows

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has four items that qualifies for reporting in this category. One is the deferred gain on bond refunding reported in the government-wide statement of net position. A deferred gain on bond refunding results from the unamortized difference between the carrying amount of redeemed or defeased debt and its reacquisition price. Another is restricted section 147c state aid deferred to offset deferred outflows related to section 147c pension benefit contributions subsequent to the measurement period. The third and fourth 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. These amounts are deferred and recognized as inflow of resources in the period that the amounts become available.

7. 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.

8. 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.

9. Fund balance policies

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

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

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The board of education may also assign fund balances 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.

KINGSTON COMMUNITY SCHOOLS
Notes to Financial Statements
Year Ended June 30, 2021

REVENUES AND EXPENDITURES/EXPENSES:

1. 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 for 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.

2. Property taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due date is 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, 2021, the District levied the following amounts per \$1,000 of assessed valuation:

<u>FUND</u>	<u>MILLS</u>
General Fund:	
Non-Principle Residence Exemption (PRE)	18.00
Commercial Personal Property	6.00
Debt Service Fund:	
PRE, Non-PRE, Commercial Personal Property	5.35

3. Compensated absences

The District's policy permits employees to accumulate earned but unused vacation and sick leave benefits, which are eligible for payment upon separation from service. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary and related benefits, where applicable.

4. 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 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.

KINGSTON COMMUNITY SCHOOLS
Notes to Financial Statements
Year Ended June 30, 2021

NOTE 2 – DEPOSITS AND INVESTMENTS:

At June 30, 2021, the District had deposits and investments subject to the following risk:

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2021, \$676,094 of the District's bank balance of \$2,320,657 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 \$2,163,162.

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

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

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

<u>Investment Type</u>	<u>Fair value</u>	<u>Weighted Average Maturity (Years)</u>
MILAF External Investment pool - MAX	\$ 2,318	N/A
Publicly traded mutual funds	81,514	N/A
Total fair value	\$ 83,832	

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

<u>Investment Type</u>	<u>Fair value</u>	<u>Rating</u>	<u>Rating Agency</u>
MILAF External Investment pool - MAX	\$ 2,318	AAAm	Standard & Poor's
Publicly traded mutual funds	81,514	Aaa/AA+	Standard & Poor's
Total fair value	\$ 83,832		

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

KINGSTON COMMUNITY SCHOOLS
Notes to Financial Statements
Year Ended June 30, 2021

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

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

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

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

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

The mutual funds are subject to the fair value measurement and are level 1.

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

Investment Type	Amortized Cost
MILAF External Investment pool - MAX	\$ 2,318
Total fair value	\$ 2,318

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

The following summarizes the categorization of these amounts as of June 30, 2021:

	Primary Government
Cash and cash equivalents	\$ 2,160,044
Investments	81,514
Cash - restricted for capital projects	3,118
Investments - restricted for capital projects	2,318
	\$ 2,246,994

KINGSTON COMMUNITY SCHOOLS
Notes to Financial Statements
Year Ended June 30, 2021

NOTE 3 – INTERGOVERNMENTAL RECEIVABLES:

Intergovernmental receivables at June 30, 2021 consist of the following:

State Aid - State of Michigan	\$ 1,038,954
Federal	<u>19,021</u>
Total	<u><u>\$ 1,057,975</u></u>

Amounts due from other governmental units include amounts due from federal and state sources for various projects and programs. 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:

	<u>BALANCE</u> <u>July 1, 2020</u>	<u>ADDITIONS/ RECLASS</u>	<u>DELETIONS/ RECLASS</u>	<u>BALANCE</u> <u>June 30, 2021</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 28,200	\$ -	\$ -	\$ 28,200
Construction in progress	83,400		(83,400)	-
Total capital assets, not being depreciated	<u>111,600</u>	<u>-</u>	<u>(83,400)</u>	<u>28,200</u>
Capital assets being depreciated:				
Building and Improvements	15,570,823	360,989		15,931,812
Furniture and equipment	2,028,714	65,906	(104,429)	1,990,191
Total capital assets being depreciated	<u>17,599,537</u>	<u>426,895</u>	<u>(104,429)</u>	<u>17,922,003</u>
Accumulated depreciation:				
Building and Improvements	(7,268,008)	(253,556)		(7,521,564)
Furniture and equipment	(1,670,595)	(64,991)	69,425	(1,666,161)
Total accumulated depreciation	<u>(8,938,603)</u>	<u>(318,547)</u>	<u>69,425</u>	<u>(9,187,725)</u>
Capital assets being depreciated	<u>8,660,934</u>	<u>108,348</u>	<u>(35,004)</u>	<u>8,734,278</u>
Total governmental capital assets	<u><u>\$ 8,772,534</u></u>	<u><u>\$ 108,348</u></u>	<u><u>\$ (118,404)</u></u>	<u><u>\$ 8,762,478</u></u>

Depreciation for the fiscal year ended June 30, 2021 amounted to \$318,547 and is reported as unallocated depreciation on the statement of activities. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

KINGSTON COMMUNITY SCHOOLS
Notes to Financial Statements
Year Ended June 30, 2021

NOTE 5 - LONG TERM OBLIGATIONS:

The District issued general obligation bonds to provide funds for the acquisition, construction, and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District.

The following is a summary of the changes in liabilities reported in the long-term obligations for the District for the year ended June 30, 2021:

	General obligation bonds	Compensated absences	Total
Balance July 1, 2020	\$ 6,616,358	\$ 43,983	\$ 6,660,341
Additions			-
Deletions	(315,421)	(8,048)	(323,469)
Balance June 30, 2021	6,300,937	35,935	6,336,872
Due within one year	(305,000)	-	(305,000)
Due in more than one year	<u>\$ 5,995,937</u>	<u>\$ 35,935</u>	<u>\$ 6,031,872</u>

Long-term obligations at June 30, 2021 is comprised of the following issues:

General obligation bonds:

2012 general obligation refunding bonds due in annual installments of \$195,000 to \$250,000 through May 1, 2028 with interest at 2.00% to 3.125%.	\$ 1,625,000
2018 school building and site bond due in annual installments of \$60,000 to \$485,000 through May 1, 2037 with interest at 2.00% to 4.00%.	4,455,000
Plus: premium on bond issuance, net	255,457
Less: discount on bond issuances, net	(34,520)
Total general obligation bonds	<u>6,300,937</u>
Compensated absences	<u>35,935</u>
Total long-term debt	<u>\$ 6,336,872</u>

At June 30, 2021, \$180,129 is available in the debt service funds to service the general obligation debt.

Interest expense (all funds) for the year ended June 30, 2021 was approximately \$234,163.

KINGSTON COMMUNITY SCHOOLS
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The annual requirements to amortize the long-term obligations as of June 30, 2021 are as follows:

Year ending June 30,	<u>General obligation bonds</u>		<u>Compensated absences</u>	<u>Total</u>
	<u>Principal</u>	<u>Interest</u>		
2022	\$ 305,000	\$ 224,213		\$ 529,213
2023	320,000	214,112		534,112
2024	325,000	203,513		528,513
2025	335,000	193,762		528,762
2026	345,000	183,713		528,713
2027-2031	1,820,000	739,375		2,559,375
2032-2036	2,145,000	361,400		2,506,400
2037	485,000	19,400		504,400
	<u>6,080,000</u>	<u>2,139,488</u>	-	<u>8,219,488</u>
Premium on bonds	255,457			255,457
Discount on bonds	(34,520)			(34,520)
Compensated absences			35,935	35,935
Total long-term debt	<u>\$ 6,300,937</u>	<u>\$ 2,139,488</u>	<u>\$ 35,935</u>	<u>\$ 8,476,360</u>

In prior years, the District has defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for future debt service payments on the old bonds. Accordingly, the trust account, assets and liabilities for the defeased bonds are not included in the basic financial statements. At June 30, 2021, \$1,745,000 of bonds outstanding are considered defeased.

NOTE 6 – PENSION AND OTHER POSTEMPLOYMENT BENEFITS:

Plan Description

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

KINGSTON COMMUNITY SCHOOLS
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Benefits Provided - Overall

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

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

Benefits Provided - Pension

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

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

Pension Reform 2010

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

Pension Reform 2012

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

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

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 terminate public school employment.

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

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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.

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 creates 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.

KINGSTON COMMUNITY SCHOOLS
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Benefits Provided – Other postemployment benefit (OPEB)

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

Retiree Healthcare Reform of 2012

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

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

Regular Retirement (no reduction factor for age)

Eligibility – A Basic plan member may retire at age 55 with 30 years credited service; or age 60 with 10 years credited service. For Member Investment Plan (MIP) members, age 46 with 30 years credited service; or age 60 with 10 years credited service; or age 60 with 5 years of credited service provided member worked through 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.

KINGSTON COMMUNITY SCHOOLS
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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, 2020 were determined as of the September 30, 2017 actuarial valuations. The pension and OPEB benefits, the unfunded (overfunded) actuarial accrued liabilities as of September 30, 2017 are amortized over a 19-year period beginning October 1, 2019 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, 2019 - September 30, 2020	13.39% - 19.59%	7.57% - 8.09%
October 1, 2020 - September 30, 2021	13.39% - 19.78%	7.57% - 8.43%

The District's pension contributions for the year ended June 30, 2021 were equal to the required contribution total. Total pension contributions were approximately \$1,036,000. Of the total pension contributions approximately \$1,003,000 was contributed to fund the Defined Benefit Plan and approximately \$33,000 was contributed to fund the Defined Contribution Plan.

The District's OPEB contributions for the year ended June 30, 2021 were equal to the required contribution total. Total OPEB contributions were approximately \$259,000. Of the total OPEB contributions approximately \$245,000 was contributed to fund the Defined Benefit Plan and approximately \$14,000 was contributed to fund the Defined Contribution Plan.

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

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

Pension Liabilities

The net pension liability was measured as of September 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2019 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.

MPSERS (Plan) Non-university employers:	September 30, 2020	September 30, 2019
Total Pension Liability	\$ 85,290,583,799	\$ 83,442,507,212
Plan Fiduciary Net Position	\$ 50,939,496,006	\$ 50,325,869,388
Net Pension Liability	\$ 34,351,087,793	\$ 33,116,637,824
Proportionate Share	0.03333%	0.03391%
Net Pension Liability for the District	\$ 11,448,610	\$ 11,229,587

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

For the year ended June 30, 2021, the District recognized pension expense of \$1,591,904.

At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred (Inflows) of Resources</u>
Changes of assumptions	\$ 1,268,616	
Net difference between projected and actual plan investment earnings	48,102	
Differences between expected and actual experience	174,925	\$ (24,435)
Changes in proportion and differences between employer contributions and proportionate share of contributions	17,676	(386,989)
District's contributions subsequent to the measurement date	941,659	
	<u>\$ 2,450,978</u>	<u>\$ (411,424)</u>

\$941,659, 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:

<u>Year ended September 30,</u>	<u>Amount</u>
2021	\$ 523,335
2022	337,642
2023	179,635
2024	57,283

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

OPEB Liabilities

The net OPEB liability was measured as of September 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation date of September 30, 2019 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined.

<u>MPSERS (Plan) Non-university employers:</u>	<u>September 30, 2020</u>	<u>September 30, 2019</u>
Total other postemployment benefit liability	\$ 13,206,903,534	\$ 13,925,860,688
Plan fiduciary net position	\$ 7,849,636,555	\$ 6,748,122,668
Net other postemployment benefit liability	\$ 5,357,266,979	\$ 7,177,738,020
Proportionate share	0.03306%	0.03409%
Net other postemployment benefit liability for the District	\$ 1,770,992	\$ 2,446,723

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

For the year ended June 30, 2021, the District recognized OPEB benefit of \$98,149.

At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Changes of assumptions	\$ 583,931	
Changes in proportion and differences between employer contributions and proportionate share of contributions	7,992	\$ (172,912)
Difference between expected and actual experience		(1,319,555)
Net difference between projected and actual earnings on OPEB plan investments	14,781	
Reporting Unit contributions subsequent to the measurement date	219,692	
Total	\$ 826,396	\$ (1,492,467)

\$219,692, reported as deferred outflows of resources related to OPEB resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year.

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

Year ended September 30,	Amount
2021	\$ (244,932)
2022	(224,465)
2023	(179,016)
2024	(129,714)
2025	(107,636)

Actuarial Assumptions

Investment rate of return for pension – 6.80% a year, compounded annually net of investment and administrative expenses for the MIP, Basic, and Pension Plus groups and 6.00% a year, compounded annually net of investment and administrative expenses for the Pension Plus 2 Plan.

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

Salary increases - The rate of pay increase used for individual members is 2.75% - 11.55%, including salary inflation at 2.755.

Inflation – 3.0%.

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Mortality assumptions –

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

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

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

Experience study - The annual actuarial valuation report of the System used for these statements is dated September 30, 2019. Assumption changes as a result of an experience study for the periods 2012 through 2017 have been adopted by the System for use in the determination of the total pension and OPEB liability beginning with the September 30, 2018 Comprehensive Annual Financial Report.

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

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

Healthcare cost trend rate for other postemployment benefit – 7.0% for year one and graded to 3.5% in year fifteen.

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

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

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

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

KINGSTON COMMUNITY SCHOOLS
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The target asset allocation at September 30, 2020 and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Investment Category	Target Allocation	Long-term expected real rate of return*
Domestic equity pools	25.0%	5.6%
International equity pools	15.0%	7.4%
Private equity pools	16.0%	9.3%
Real estate and infrastructure pools	10.0%	4.9%
Fixed income pools	10.5%	0.5%
Absolute return pools	9.0%	3.2%
Real return/opportunistic pools	12.5%	6.6%
Short term investment pools	2.0%	-0.1%
	100.0%	

*Long term rate of return is net of administrative expenses and 2.1% inflation.

Rate of return – For fiscal year ended September 30, 2020, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was 5.37% and 5.24% respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Pension Discount rate – A single discount rate of 6.80% was used to measure the total pension liability (6.00% for Pension Plus 2 Plan). This discount rate was based on the expected rate of return on pension plan investments of 6.80% (6.00% for the Pension Plus 2 Plan). The projection of cash flows used to determine this single discount rate assumed that plan members 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 rate of 6.95% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 6.95%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that school districts contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan’s fiduciary net position was project 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 District’s proportionate share of the net pension liability calculated using a single discount rate of 6.80% (6.00% for Pension Plus 2 Plan), as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	Pension		
	1% Decrease	Discount Rate	1% Increase
Reporting Unit's proportionate share of the net pension liability	\$ 14,818,283	\$ 11,448,610	\$ 8,655,901

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

	Other Postemployment Benefit		
	1% Decrease	Discount Rate	1% Increase
Reporting Unit's proportionate share of the net other postemployment benefit liability	\$ 2,275,040	\$ 1,770,992	\$ 1,346,625

Sensitivity to the net OPEB liability to changes in the healthcare cost trend rates – The following presents the District's proportionate share of the net other postemployment benefit liability calculated using the healthcare cost trend rate of 7.0% (decreasing to 3.5%), as well as what the District's proportionate share of the net other postemployment benefit liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	Other Postemployment Benefit		
	1% Decrease	Current	1% Increase
		Trend Rates	
Reporting Unit's proportionate share of the net other postemployment benefit liability	\$ 1,330,377	\$ 1,770,992	\$ 2,272,137

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 2020 Comprehensive Annual Financial Report.

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

NOTE 7 – INTERFUND RECEIVABLES AND PAYABLES:

The following interfund balances were outstanding at June 30, 2021:

Receivable Fund	Payable Fund	
	Nonmajor Funds	Total
General Fund	\$ 33,288	\$ 33,288
Nonmajor Funds	8,800	8,800
Total	\$ 42,088	\$ 42,088

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund foods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems, and (3) payments between funds are made.

KINGSTON COMMUNITY SCHOOLS
Notes to Financial Statements
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NOTE 8 - RISK MANAGEMENT:

The District is exposed to risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. With regard to injuries to employees, the District participates in an association of educational institutions within the State of Michigan for self-insuring workers' disability compensation. The association is considered a public entity risk sharing pool. The District pays annual premiums to the association for its workers' disability compensation coverage. In the event the association's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the policy year may be subject to special assessment to make up the difference. The association maintains reinsurance for claims in excess of \$500,000 for each occurrence with the overall maximum coverage being unlimited. The District has not been informed of any special assessments being required. The program is recorded in the general fund. The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance.

The District is self-insured for dental and vision claims. All plans have limits of amounts for expenditures that will be reimbursed. This program is recorded in the general fund. Any liability for incurred and unreported claims is not considered material.

Settlements have not exceeded coverage for each of the past three fiscal years. Changes in the balances of claims liabilities during the past three years have been immaterial.

NOTE 9 – COMMITMENTS AND CONTINGENCIES:

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. 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 District believes such amounts, if any, would be immaterial.

NOTE 10 – TRANSFERS:

The transfers between funds for the fiscal year ended June 30, 2021 were as follows:

	TRANSFERS IN	TRANSFERS OUT
General Fund	\$ -	\$ 114,503
Nonmajor Governmental Funds	115,168	665
	\$ 115,168	\$ 115,168

The \$114,503 transfer to the Non-bond Capital Projects Fund from the General Fund was to subsidize operations. The \$665 transfer from the 2005 Debt Fund to 2012 Refunding Debt was to the close the fund.

KINGSTON COMMUNITY SCHOOLS
Notes to Financial Statements
Year Ended June 30, 2021

NOTE 11 – OPERATING LEASES:

The District entered into a 5 year lease in June 2018 for copiers and printers at a monthly cost of \$1,995. In April 2019, the District entered into a 3 year lease for a postage machine with a monthly cost of \$180. In June 2021, the District entered into a 2 year lease extension agreement for six regular buses and one special needs bus for a total annual payment of \$71,204. The future lease commitments under these leases are as follows:

June 30, 2022	\$ 96,767
June 30, 2023	<u>95,149</u>
Total	<u><u>\$ 191,916</u></u>

NOTE 12 - TAX ABATEMENTS:

The District is required to disclose significant tax abatements as a required by GASB Statement 77, *Tax Abatements*.

The District could receive reduced property tax revenues as a result of Industrial Facilities Tax Exemptions granted by cities, villages and townships. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities. The District did not have any property taxes abated under any of these programs.

There are no significant abatements made by the District.

NOTE 13 – UPCOMING ACCOUNTING PRONOUNCEMENTS:

Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, was issued by the GASB in June 2017. The objective of this Statement is to increase the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use the underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments’ leasing activities. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2021-2022 fiscal year.

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

REQUIRED SUPPLEMENTARY INFORMATION

KINGSTON COMMUNITY SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2021

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET</u>
REVENUES				
Local sources				
Property taxes	\$ 449,764	\$ 439,000	\$ 475,409	\$ 36,409
Charges for services	102,452	100,000	98,279	(1,721)
Investment earnings	-	-	3,170	3,170
Other	127,849	124,789	137,021	12,232
State sources	4,823,721	5,693,554	5,625,730	(67,824)
Federal sources	208,957	705,564	826,223	120,659
Other transactions:				
Payments from ISD	167,742	25,000	-	(25,000)
TOTAL REVENUES	<u>5,880,485</u>	<u>7,087,907</u>	<u>7,165,832</u>	<u>77,925</u>
EXPENDITURES				
Instruction				
Basic programs	2,964,578	3,294,828	3,136,740	158,088
Added needs	675,835	578,919	689,890	(110,971)
Total instruction	<u>3,640,413</u>	<u>3,873,747</u>	<u>3,826,630</u>	<u>47,117</u>
Supporting services				
Pupil services	262,448	271,733	272,281	(548)
Staff services	60,092	64,812	53,749	11,063
General administration	274,005	287,733	270,055	17,678
School administration	426,974	432,729	433,532	(803)
Business services	152,089	158,547	153,755	4,792
Operations and maintenance	610,111	703,732	691,186	12,546
Pupil transportation	204,815	236,361	331,874	(95,513)
Central services	149,618	194,201	187,146	7,055
Athletic activities	145,207	153,722	159,042	(5,320)
Total supporting services	<u>2,285,359</u>	<u>2,503,570</u>	<u>2,552,620</u>	<u>(49,050)</u>
Community services				
Cardinal center	101,766	107,940	122,800	(14,860)
Drivers education	-	4,511	-	4,511
Total community services	<u>101,766</u>	<u>112,451</u>	<u>122,800</u>	<u>(10,349)</u>
Debt service				
Principal on bus loan	155,118	155,118	-	155,118
Total debt service	<u>155,118</u>	<u>155,118</u>	<u>-</u>	<u>155,118</u>
TOTAL EXPENDITURES	<u>6,182,656</u>	<u>6,644,886</u>	<u>6,502,050</u>	<u>142,836</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(302,171)</u>	<u>443,021</u>	<u>663,782</u>	<u>220,761</u>
OTHER FINANCING SOURCES (USES)				
Sale of fixed assets	-	-	800	800
Transfers in	-	15,000	-	(15,000)
Transfers out	(55,362)	(55,362)	(114,503)	(59,141)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(55,362)</u>	<u>(40,362)</u>	<u>(113,703)</u>	<u>(73,341)</u>
NET CHANGE IN FUND BALANCES	<u>\$ (357,533)</u>	<u>\$ 402,659</u>	<u>550,079</u>	<u>\$ 147,420</u>
FUND BALANCE - BEGINNING OF YEAR			<u>1,430,965</u>	
FUND BALANCE - END OF YEAR			<u>\$ 1,981,044</u>	

KINGSTON COMMUNITY SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
LAST 10 FISCAL YEARS (DETERMINED AS OF
YEAR ENDED SEPTEMBER 30)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Reporting unit's proportion of net pension liability (%)	0.03333%	0.03391%	0.03482%	0.03598%	0.03533%	0.03370%	0.03372%
Reporting unit's proportionate share of net pension liability	\$11,448,610	\$11,229,587	\$10,466,240	\$9,323,098	\$8,815,130	\$8,230,540	\$7,426,546
Reporting unit's covered-employee payroll	\$ 2,928,822	\$ 2,882,426	\$ 2,890,139	\$3,008,660	\$3,044,610	\$2,892,890	\$2,889,316
Reporting unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	390.89%	389.59%	362.14%	309.88%	289.53%	284.51%	257.03%
Plan fiduciary net position as a percentage of total pension liability (Non-university employers)	59.72%	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%

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

KINGSTON COMMUNITY SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S PENSION CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
LAST 10 FISCAL YEARS (DETERMINED AS OF
YEAR ENDED JUNE 30)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contributions	\$ 1,002,674	\$ 919,527	\$ 895,666	\$ 944,354	\$ 833,209	\$ 719,670	\$ 615,073
Contributions in relation to statutorily required contributions	<u>1,002,674</u>	<u>919,527</u>	<u>895,666</u>	<u>944,354</u>	<u>833,209</u>	<u>719,670</u>	<u>615,073</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reporting unit's covered- employee payroll	\$ 3,068,523	\$ 2,957,847	\$ 2,843,199	\$ 2,910,769	\$ 3,010,295	\$ 2,983,514	\$ 2,900,710
Contributions as a percentage of covered-employee payroll	32.68%	31.09%	31.50%	32.44%	27.68%	24.12%	21.20%

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

KINGSTON COMMUNITY SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE
SHARE OF THE NET OPEB LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
LAST 10 FISCAL YEARS (DETERMINED AS OF
YEAR ENDED SEPTEMBER 30)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Reporting unit's proportion of net OPEB liability (%)	0.03306%	0.03409%	0.03396%	0.03594%
Reporting unit's proportionate share of net OPEB liability	\$1,770,992	\$2,446,723	\$2,699,155	\$3,182,950
Reporting unit's covered-employee payroll	\$2,928,822	\$2,882,426	\$2,890,139	\$3,008,660
Reporting unit's proportionate share of net OPEB liability as a percentage of its covered-employee payroll	60.47%	84.88%	93.39%	105.79%
Plan fiduciary net position as a percentage of total OPEB liability (Non-university employers)	59.44%	48.46%	42.95%	36.39%

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

KINGSTON COMMUNITY SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S OPEB CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
LAST 10 FISCAL YEARS (DETERMINED AS OF
YEAR ENDED JUNE 30)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contributions	\$ 244,885	\$ 231,307	\$ 227,184	\$ 228,323
Contributions in relation to statutorily required contributions	<u>244,885</u>	<u>231,307</u>	<u>227,184</u>	<u>228,323</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reporting unit's covered-employee payroll	\$3,068,523	\$2,957,847	\$2,843,199	\$2,910,769
Contributions as a percentage of covered-employee payroll	7.98%	7.82%	7.99%	7.84%

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

KINGSTON COMMUNITY SCHOOLS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2021

Pension Information

Benefit changes - there were no changes of benefit terms in 2020.

Changes of assumptions - there were no changes in assumptions in 2020.

OPEB Information

Benefit changes - there were no changes of benefit terms in 2020.

Changes of assumptions - the assumption changes for 2020 were:

Healthcare cost trend rate increased to 7.00% Year 1 graded to 3.50% Year 15 from 7.50%
Year 1 graded to 3.50% Year 12.

ADDITIONAL SUPPLEMENTARY INFORMATION

KINGSTON COMMUNITY SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES
JUNE 30, 2021

	<u>SPECIAL REVENUE FUNDS</u>	<u>DEBT SERVICE FUNDS</u>	<u>NON-BOND CAPITAL PROJECTS</u>	<u>TOTAL NONMAJOR FUNDS</u>
<u>ASSETS</u>				
Cash and equivalents	\$ 224,938	\$ 180,129	\$ 222,760	\$ 627,827
Investments	81,514			81,514
Accounts receivable	1,937			1,937
Due from other funds	-	8,800		8,800
Due from other governmental units	21,822			21,822
TOTAL ASSETS	<u>\$ 330,211</u>	<u>\$ 188,929</u>	<u>\$ 222,760</u>	<u>\$ 741,900</u>
 <u>LIABILITIES AND FUND BALANCES</u>				
Due to other funds	\$ 22,788	\$ 8,800	\$ 10,500	\$ 42,088
TOTAL LIABILITIES	<u>22,788</u>	<u>8,800</u>	<u>10,500</u>	<u>42,088</u>
 <u>FUND BALANCES</u>				
Restricted for:				
Debt service		180,129		180,129
Food service	103,989			103,989
Public library	6,637			6,637
Woloshen	108,051			108,051
Committed for:				
Capital projects			212,260	212,260
Student/school activities	87,981			87,981
Assigned for:				
Subsequent year expenditures	765	-	-	765
TOTAL FUND BALANCES	<u>307,423</u>	<u>180,129</u>	<u>212,260</u>	<u>699,812</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 330,211</u>	<u>\$ 188,929</u>	<u>\$ 222,760</u>	<u>\$ 741,900</u>

KINGSTON COMMUNITY SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUND TYPES
YEAR ENDED JUNE 30, 2021

	<u>SPECIAL REVENUE FUNDS</u>	<u>DEBT SERVICE FUNDS</u>	<u>NON-BOND CAPITAL PROJECTS</u>	<u>TOTAL NONMAJOR FUNDS</u>
REVENUES				
Local sources				
Property taxes	\$ -	\$ 529,893	\$ -	\$ 529,893
Charges for services	6,170			6,170
Investment earnings	123	1,128	791	2,042
Student activity income	69,957			69,957
Other	38,962			38,962
State sources	43,893			43,893
Federal sources	<u>505,523</u>			<u>505,523</u>
TOTAL REVENUES	<u>664,628</u>	<u>531,021</u>	<u>791</u>	<u>1,196,440</u>
EXPENDITURES				
Salaries and wages	169,016			169,016
Employee benefits	95,846			95,846
Purchased services	6,294			6,294
Food	245,338			245,338
Supplies	7,152			7,152
Capital outlay	1,729		48,325	50,054
Miscellaneous	2,591			2,591
Student/school activities	83,337			83,337
Debt Service:				
Principal payments		300,000		300,000
Interest		234,163		234,163
Fees		<u>1,013</u>		<u>1,013</u>
TOTAL EXPENDITURES	<u>611,303</u>	<u>535,176</u>	<u>48,325</u>	<u>1,194,804</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>53,325</u>	<u>(4,155)</u>	<u>(47,534)</u>	<u>1,636</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	-	(665)		(665)
Transfers in	-	665	114,503	115,168
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>114,503</u>	<u>114,503</u>
NET CHANGE IN FUND BALANCES	53,325	(4,155)	66,969	116,139
FUND BALANCES BEGINNING OF YEAR	<u>254,098</u>	<u>184,284</u>	<u>145,291</u>	<u>583,673</u>
FUND BALANCES END OF YEAR	<u>\$307,423</u>	<u>\$ 180,129</u>	<u>\$ 212,260</u>	<u>\$ 699,812</u>

KINGSTON COMMUNITY SCHOOLS
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS
JUNE 30, 2021

	<u>FOOD SERVICES</u>	<u>PUBLIC LIBRARY FUND</u>	<u>WOLOSHEN</u>	<u>STUDENT/ SCHOOL ACTIVITIES</u>	<u>TOTAL SPECIAL REVENUE FUNDS</u>
<u>ASSETS</u>					
Cash and cash equivalents	\$ 82,167	\$ 28,253	\$ 26,537	\$ 87,981	\$ 224,938
Investments	-	-	81,514		81,514
Accounts receivable	-	1,937			1,937
Due from other governmental units	21,822	-	-	-	21,822
TOTAL ASSETS	<u>\$ 103,989</u>	<u>\$ 30,190</u>	<u>\$ 108,051</u>	<u>\$ 87,981</u>	<u>\$ 330,211</u>
 <u>LIABILITIES & FUND BALANCES</u>					
LIABILITIES:					
Due to other funds	\$ -	\$ 22,788	\$ -	\$ -	\$ 22,788
TOTAL LIABILITIES	<u>-</u>	<u>22,788</u>	<u>-</u>	<u>-</u>	<u>22,788</u>
FUND BALANCES:					
Restricted for:					
Food service	103,989				103,989
Public library		6,637			6,637
Woloshen			108,051		108,051
Committed for:					
Student/school activities				87,981	87,981
Assigned for:					
Subsequent year expenditures		765			765
TOTAL FUND BALANCES	<u>103,989</u>	<u>7,402</u>	<u>108,051</u>	<u>87,981</u>	<u>307,423</u>
TOTAL LIABILITIES & FUND BALANCES	<u>\$ 103,989</u>	<u>\$ 30,190</u>	<u>\$ 108,051</u>	<u>\$ 87,981</u>	<u>\$ 330,211</u>

KINGSTON COMMUNITY SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2021

	<u>FOOD SERVICES</u>	<u>PUBLIC LIBRARY FUND</u>	<u>WOLOSHEN</u>	<u>STUDENT/ SCHOOL ACTIVITIES</u>	<u>TOTAL SPECIAL REVENUE FUNDS</u>
REVENUES:					
Local sources:					
Charges for services	\$ 6,170	\$ -	\$ -	\$ -	\$ 6,170
Investment earnings				123	123
Student activity income				69,957	69,957
Other	1,490	20,792	16,680		38,962
State sources	38,448	5,445			43,893
Federal sources	505,023	500			505,523
TOTAL REVENUES	<u>551,131</u>	<u>26,737</u>	<u>16,680</u>	<u>70,080</u>	<u>664,628</u>
EXPENDITURES:					
Salaries and wages	155,457	13,559			169,016
Employee benefits	89,398	6,448			95,846
Purchased services	4,457	1,569	268		6,294
Food	245,338				245,338
Supplies		7,152	-		7,152
Capital outlay	1,729	-			1,729
Miscellaneous	2,591	-			2,591
Student/school activities				83,337	83,337
TOTAL EXPENDITURES	<u>498,970</u>	<u>28,728</u>	<u>268</u>	<u>83,337</u>	<u>611,303</u>
NET CHANGE IN FUND BALANCES	52,161	(1,991)	16,412	(13,257)	53,325
FUND BALANCES BEGINNING OF YEAR	<u>51,828</u>	<u>9,393</u>	<u>91,639</u>	<u>101,238</u>	<u>254,098</u>
FUND BALANCES END OF YEAR	<u>\$ 103,989</u>	<u>\$ 7,402</u>	<u>\$ 108,051</u>	<u>\$ 87,981</u>	<u>\$ 307,423</u>

KINGSTON COMMUNITY SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
JUNE 30, 2021

	<u>2018 DEBT</u>	<u>2012 REFUNDING DEBT</u>	<u>2005 DEBT</u>	<u>TOTAL DEBT SERVICE</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 129,705	\$ 50,424	\$ -	\$ 180,129
Due from other funds	<u>-</u>	<u>8,800</u>	<u>-</u>	<u>8,800</u>
TOTAL ASSETS	<u>\$ 129,705</u>	<u>\$ 59,224</u>	<u>\$ -</u>	<u>\$ 188,929</u>
 <u>LIABILITIES & FUND BALANCES</u>				
LIABILITIES:				
Due to other funds	<u>\$ 8,800</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,800</u>
TOTAL LIABILITIES	<u>8,800</u>	<u>-</u>	<u>-</u>	<u>8,800</u>
FUND BALANCES:				
Restricted for debt service	<u>120,905</u>	<u>59,224</u>	<u>-</u>	<u>180,129</u>
TOTAL FUND BALANCES	<u>120,905</u>	<u>59,224</u>	<u>-</u>	<u>180,129</u>
TOTAL LIABILITIES & FUND BALANCES	<u>\$ 129,705</u>	<u>\$ 59,224</u>	<u>\$ -</u>	<u>\$ 188,929</u>

KINGSTON COMMUNITY SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR DEBT SERVICE FUNDS
YEAR ENDED JUNE 30, 2021

	2018 DEBT	2012 REFUNDING DEBT	2005 DEBT	TOTAL DEBT SERVICE
REVENUES:				
Local sources:				
Property taxes	\$ 267,433	\$ 262,460	\$ -	\$529,893
Investment earnings	728	400	-	1,128
TOTAL REVENUES	268,161	262,860	-	531,021
EXPENDITURES:				
Principal payments	95,000	205,000	-	300,000
Interest	178,950	55,213	-	234,163
Fees	646	367	-	1,013
TOTAL EXPENDITURES	274,596	260,580	-	535,176
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(6,435)	2,280	-	(4,155)
OTHER FINANCING SOURCES (USES):				
Transfers out	-	-	(665)	(665)
Transfers in	-	665	-	665
TOTAL OTHER FINANCING SOURCES (USES)	-	665	(665)	-
NET CHANGE IN FUND BALANCES	(6,435)	2,945	(665)	(4,155)
FUND BALANCES BEGINNING OF YEAR	127,340	56,279	665	184,284
FUND BALANCES END OF YEAR	\$ 120,905	\$ 59,224	\$ -	\$180,129

KINGSTON COMMUNITY SCHOOLS
SCHEDULE OF BONDED DEBT - 2012 REFUNDING BONDS
JUNE 30, 2021

PRINCIPAL DUE MAY 1	RATE	INTEREST DUE		DEBT SERVICE REQUIREMENT FOR FISCAL YEAR	
<u>MAY 1</u>	<u>RATE</u>	<u>MAY 1</u>	<u>NOVEMBER 1</u>	<u>JUNE 30</u>	<u>AMOUNT</u>
\$ 210,000	3.000	\$ 24,531	\$ 24,532	2022	\$ 259,063
220,000	3.000	21,381	21,381	2023	262,762
225,000	3.000	18,081	18,082	2024	261,163
235,000	3.000	14,706	14,706	2025	264,412
240,000	3.000	11,181	11,182	2026	262,363
245,000	3.000	7,581	7,581	2027	260,162
250,000	3.125	3,906	3,907	2028	257,813
<u>\$ 1,625,000</u>		<u>\$ 101,367</u>	<u>\$ 101,371</u>		<u>\$ 1,827,738</u>

Bonds in the amount of \$3,485,000 were issued for the purpose of refinancing the 2002 and 2002E bonds.

KINGSTON COMMUNITY SCHOOLS
SCHEDULE OF BONDED DEBT - 2018 BONDS
JUNE 30, 2021

PRINCIPAL DUE MAY 1	RATE	INTEREST DUE		DEBT SERVICE REQUIREMENT FOR FISCAL YEAR	
MAY 1		MAY 1	NOVEMBER 1	JUNE 30	AMOUNT
\$ 95,000	4.000	\$ 87,575	\$ 87,575	2022	\$ 270,150
100,000	4.000	85,675	85,675	2023	271,350
100,000	3.000	83,675	83,675	2024	267,350
100,000	3.000	82,175	82,175	2025	264,350
105,000	3.000	80,675	80,675	2026	266,350
110,000	4.000	79,100	79,100	2027	268,200
120,000	4.000	76,900	76,900	2028	273,800
350,000	4.000	74,500	74,500	2029	499,000
365,000	4.000	67,500	67,500	2030	500,000
380,000	4.000	60,200	60,200	2031	500,400
395,000	4.000	52,600	52,600	2032	500,200
410,000	4.000	44,700	44,700	2033	499,400
430,000	4.000	36,500	36,500	2034	503,000
445,000	4.000	27,900	27,900	2035	500,800
465,000	4.000	19,000	19,000	2036	503,000
485,000	4.000	9,700	9,700	2037	504,400
\$ 4,455,000		\$ 968,375	\$ 968,375		\$ 6,391,750

2018 School Building and Site Bonds were issued in the amount of \$4,685,000 for the purpose of remodeling, equipping and re-equipping, and furnishing and refurbishing school facilities; acquiring, installing and equipping school facilities for instructional technology; demolishing the north wing of Kingston Elementary school; and remodeling, developing, equipping and improving playgrounds, athletic structures, athletic facilities and sites of the School District.

KINGSTON COMMUNITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2021

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ <u>PROGRAM TITLE</u>	FEDERAL CFDA NUMBER	PASS- THROUGH GRANTOR'S NUMBER	AWARD AMOUNT	ACCRUED (UNEARNED) REVENUE 7/1/2020	(MEMO ONLY) PRIOR YEAR EXPENDITURES	CURRENT YEAR RECEIPTS	CURRENT YEAR EXPENDITURES	ACCRUED (UNEARNED) REVENUE 6/30/2021
U.S. DEPARTMENT OF AGRICULTURE:								
Passed through Michigan Dept. of Education:								
Child Nutrition Cluster:								
Non-cash assistance (donated foods):								
Entitlement Donated Foods	10.555	N/A	\$ 18,567	\$ -	\$ -	\$ 18,567	\$ 18,567	\$ -
Entitlement Donated Foods - bonus	10.555	N/A	687			687	687	-
Total non-cash assistance			<u>19,254</u>	<u>-</u>	<u>-</u>	<u>19,254</u>	<u>19,254</u>	<u>-</u>
Cash assistance:								
COVID-19 National School Lunch	10.555	200902	51,404	51,404	51,404	51,404	-	-
Total CFDA #10.555			<u>70,658</u>	<u>51,404</u>	<u>51,404</u>	<u>70,658</u>	<u>19,254</u>	<u>-</u>
COVID-19 Summer Food Service Program for Children	10.559	200900	123,536			123,536	123,536	-
COVID-19 Summer Food Service Program for Children	10.559	210904	362,233			343,212	362,233	19,021
Total CFDA #10.559			<u>485,769</u>	<u>-</u>	<u>-</u>	<u>466,748</u>	<u>485,769</u>	<u>19,021</u>
Total cash assistance			<u>537,173</u>	<u>51,404</u>	<u>51,404</u>	<u>518,152</u>	<u>485,769</u>	<u>19,021</u>
Total Child Nutrition Cluster			<u>556,427</u>	<u>51,404</u>	<u>51,404</u>	<u>537,406</u>	<u>505,023</u>	<u>19,021</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>556,427</u>	<u>51,404</u>	<u>51,404</u>	<u>537,406</u>	<u>505,023</u>	<u>19,021</u>
INSTITUTE OF MUSEUM AND LIBRARY SERVICES								
Passed through Michigan Dept. of Education:								
COVID-19 Grants to States	45.310	N/A	500			500	500	-

The accompanying notes are an integral part of the schedule.

KINGSTON COMMUNITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2021

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS- THROUGH GRANTOR'S NUMBER	AWARD AMOUNT	ACCRUED (UNEARNED) REVENUE 7/1/2020	(MEMO ONLY) PRIOR YEAR EXPENDITURES	CURRENT YEAR RECEIPTS	CURRENT YEAR EXPENDITURES	ACCRUED (UNEARNED) REVENUE 6/30/2021
U.S. DEPARTMENT OF EDUCATION:								
Rural Education Achievement Program	84.358A	S358A203639	\$ 27,977	\$ -	\$ -	\$ 27,977	\$ 27,977	\$ -
Passed through Michigan Dept. of Education:								
Title I, Part A	84.010	211530-2021	208,470			198,895	198,895	-
Total CFDA #84.010			208,470	-	-	198,895	198,895	-
Title II, Part A	84.367	210520-2021	37,959			20,140	20,140	-
Total CFDA #84.367			37,959	-	-	20,140	20,140	-
Title IV, Part A	84.424	210750-2021	10,402			10,402	10,402	-
Total CFDA #84.424			10,402	-	-	10,402	10,402	-
Education Stabilization Fund:								
COVID-19 Governor's Emergency Education Relief Funds (GEER I)	84.425C	201200-2021	33,867			33,867	33,867	-
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER I)	84.425D	203710-1920	117,497		20,000	97,497	97,497	-
Total CFDA #84.425			151,364	-	20,000	131,364	131,364	-
Total passed through Michigan Dept. of Education			408,195	-	20,000	360,801	360,801	-
Passed through Tuscola Intermediate School District:								
IDEA Special Education	84.027A	210450-2021	169,394			169,394	169,394	-
TOTAL U.S. DEPARTMENT OF EDUCATION			605,566	-	20,000	558,172	558,172	-
U.S. DEPARTMENT OF TREASURY:								
Passed through Michigan Dept. of Education:								
COVID-19 Coronavirus Relief Funds	21.019	11(p)	204,383			204,383	204,383	-
COVID-19 Coronavirus Relief Funds		103(2)	7,194			7,194	7,194	-
Total Passed through Michigan Dept. of Education			211,577	-	-	211,577	211,577	-
Passed through MAISA/Copper County ISD:								
COVID-19 Coronavirus Relief Funds- MiConnect Connectivity Funding	21.019	N/A	18,874			18,874	18,874	-
TOTAL U.S. DEPARTMENT OF TREASURY			230,451	-	-	230,451	230,451	-
TOTAL FEDERAL FINANCIAL ASSISTANCE			\$ 1,392,944	\$ 51,404	\$ 71,404	\$ 1,326,529	\$ 1,294,146	\$ 19,021

The accompanying notes are an integral part of the schedule.

KINGSTON COMMUNITY SCHOOLS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2021

1. Basis of Presentation - The accompanying schedule of expenditures of federal awards (the "schedule") includes the federal award activity of Kingston Community Schools' under programs of the federal government for the year ended June 30, 2021. The information in this schedule is presented in accordance with requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Kingston Community Schools, it is not intended to and does not present the financial position or changes in net position of Kingston Community Schools.
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. Kingston Community Schools has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.
3. The District does not qualify for low-risk auditee status. Management has utilized the Cash Management System and the Grant Auditor Report in preparing the Schedule of Expenditures of Federal Awards. The District does not pass through federal funds.
4. Reconciliation with Audited Financial Statements - Federal expenditures are reported as revenue in the following funds in the basic financial statements:

General Fund	\$826,223
Other nonmajor governmental fund	<u>505,523</u>
Total federal revenue in the fund financial statements	1,331,746
Less: Federal assistance funding not subject to single audit act	<u>(37,600)</u>
Expenditures per schedule of expenditures of federal awards	<u>\$1,294,146</u>



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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
Kingston Community Schools
Kingston, MI 48741

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 Kingston Community Schools as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 28, 2021.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered Kingston 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 Kingston Community Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of Kingston 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement on the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal controls, described as 2021-001, in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether Kingston 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

KINGSTON COMMUNITY SCHOOLS' RESPONSE TO FINDINGS

Kingston Community Schools' response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Kingston Community Schools' 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 District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Anderson, Tuckey, Bernhardt & Doran, P.C.

**ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CARO, MICHIGAN**

October 28, 2021



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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
Kingston Community Schools
Kingston, MI 48741

Report on Compliance for Each Major Federal Program

We have audited Kingston Community Schools' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Kingston Community Schools' major federal programs for the year ended June 30, 2021. Kingston Community Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our unmodified opinion on compliance for major federal programs. However, our audit does not provide a legal determination of Kingston Community Schools' compliance.

Opinion on Each Major Federal Program

In our opinion, Kingston 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, 2021.

Report on Internal Control Over Compliance

Management of Kingston Community Schools is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Kingston Community Schools' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Kingston Community Schools' 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 combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Anderson, Tuckey, Bernhardt & Doran, P.C.

**ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CARO, MICHIGAN**

October 28, 2021

KINGSTON COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2021

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? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ X Yes _____ None reported
- Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not Considered to be material weaknesses? _____ Yes X None reported

Type of auditor’s report issued on compliance for major programs: *Unmodified*

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

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

10.555, 10.559
21.019

Child Nutrition Cluster
Coronavirus Relief Funds

Dollar threshold used to distinguish between Type A and Type B Programs: \$750,000

Auditee qualified as low-risk auditee? _____ Yes X No

KINGSTON COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2021

Section II – Financial Statement Findings

Finding 2021-001 – Considered a significant deficiency

Criteria:

Professional standards requires auditors to evaluate entries posted subsequent to year-end and assess whether the entries are period-end closing, cut-off entries, or entries that should have been recorded throughout the year.

Condition:

Adjustments were made to the general ledger subsequent to year-end, which resulted in several changes to the final trial balances. Timely review and reconciliation of accounts was not consistently performed during the year.

Context:

Adjustments that were identified during the audit, either by management or as a result of audit procedures, impacted expenditures, revenues, assets, and liabilities within the governmental funds. These adjustments were corrected by management and are reflected in the financial statements.

Cause:

The majority of adjustments and corrections proposed resulted from lack of timely review of account reconciliations.

Effect:

Audit adjustments were required to reconcile certain accounts.

Recommendation:

General ledger accounts should be reconciled on a regular basis in order to present accurate financial statements to management and the Board of Education.

Client Response:

We will review our year-end entry procedures and work to make sure accounts are reconciled throughout the year.

Section III – Federal Award Findings and Questioned Costs

None



KINGSTON COMMUNITY SCHOOLS

5790 State Street

Kingston, MI 48741

"We believe in developing creative minds, building leaders, fostering a love for community and striving for excellence."

KINGSTON COMMUNITY SCHOOLS
CORRECTIVE ACTION PLAN
JUNE 30, 2021

Kingston Community School District respectfully submits the following corrective action plan for the year ended June 30, 2021.

Auditor: Anderson, Tuckey, Bernhardt & Doran, PC
715 F Frank St
Caro, MI 48723

Audit Period: Year ended June 30, 2021

Responsible Official: Shona Vennevy, Business Manager

The findings from the June 30, 2021 schedule of findings and responses are discussed below. The findings are numbered consistently with the number assigned in the schedule.

Findings – Significant deficiency

Finding 2021-001

Recommendation: The District should reconcile general ledger accounts on a regular basis in order to present accurate financial statements.

Action to be taken: The district concurs with the facts of this finding and is implementing procedures to prevent this in the future.

Superintendent Matthew Drake: 989.683.2294

High School Principal Mike Seaman: 989.683.2550

Elementary Principal Justin Diegel: 989.683.2284 **High School Fax:** 989.683.2081

District Website: www.kingstonk12.org

KINGSTON COMMUNITY SCHOOLS
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2021

Finding 2020-001 – Considered a significant deficiency

Criteria:

Professional standards requires auditors to evaluate entries posted subsequent to year-end and assess whether the entries are period-end closing, cut-off entries, or entries that should have been recorded throughout the year.

Condition:

Adjustments were made to the general ledger subsequent to year-end, which resulted in several changes to the final trial balances. Timely review and reconciliation of accounts was not consistently performed during the year.

Context:

Adjustments that were identified during the audit, either by management or as a result of audit procedures, impacted expenditures, revenues, assets, and liabilities within the governmental funds. These adjustments were corrected by management and are reflected in the financial statements.

Cause:

The majority of adjustments and corrections proposed resulted from lack of timely review of account reconciliations.

Effect:

Audit adjustments were required to reconcile certain accounts.

Recommendation:

General ledger accounts should be reconciled on a regular basis in order to present accurate financial statements to management and the Board of Education.

Client Response:

We will review our year-end entry procedures and work to make sure accounts are reconciled throughout the year.

Status:

As of the fiscal year ended June 30, 2021, this finding is an ongoing issue.

KINGSTON COMMUNITY SCHOOLS
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2021

Finding 2020-002 – Considered a significant deficiency

Criteria:

Compliance with the Uniform Budgeting and Accounting Act. MCL (Michigan Compile Laws) 141.437 states that if it becomes apparent during the year that the probable revenues will be less than the budgeted revenues an amendment should be adopted to prevent expenditures from exceeding available revenues including prior year fund balance.

Condition:

The District's budget reflects estimated revenues higher than actual and budgeted expenditures less than actual.

Effect:

At June 30, 2020, the District's general fund final budget anticipated adding \$100,067 to the District's fund balance. The actual result was a decrease of \$19,080 to fund balance. Likewise, the District's food service final budget anticipated adding \$2,143 to the District's fund balance. The actual result was a decrease of \$3,429 to fund balance. These differences created a total negative budget to actual variance in the general fund and food service fund of \$119,147 and \$5,572, respectively.

Cause:

The primary reason was not properly budgeting revenues and expenditures. In addition, there was a revenue funding adjustment made by the state after the final budget amendment was passed in June 2020 reducing unrestricted state aid revenue by \$175 per pupil for the year ended June 30, 2020. This adjustment resulted in the District receiving \$102,191 less in state funding than anticipated by the District at the time the final budget amendment was approved.

Recommendation:

The District should implement budgeting procedures to budget more conservatively for revenues and expenditures. The District should also implement procedures to schedule emergency board meetings for budget amendments, (if necessary).

Client Response:

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

Status:

As of the fiscal year ended June 30, 2021, this finding has been resolved.



ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

Certified Public Accountants

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Bryan M. McShane, CPA

To the Members of the Board
Kingston Community Schools

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of **Kingston Community Schools** for the year ended **June 30, 2021**. Professional standards require that we provide you with the information about our responsibilities under generally accepted auditing standards, Government Auditing Standards, and OMB's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you with the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by **Kingston Community Schools** are described in Note 1 to the financial statements. During fiscal year 2021, the District did not implement any new accounting standards and the application of existing policies was not changed during fiscal year 2021. We noted no transactions entered into by **Kingston Community Schools** during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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

Estimates have been used to calculate the net pension liability and the net other postemployment benefit liability.

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

Management's estimate in calculating the liability for employee compensated absences.

We evaluated the key factors and assumptions used to develop the balance of compensated absences in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's determination of the estimated life span of the capital assets.

We evaluated the key factors and assumptions used to develop the estimated life span of the capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

We did not identify any sensitive disclosures.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. We have proposed adjustments that we consider to be significant and have communicated this to management.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 28, 2021.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

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

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

A separate management letter was not issued.

Restriction on Use

This information is intended solely for the use of the Members of the Board and management of **Kingston Community Schools** and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



Anderson, Tuckey, Bernhardt, & Doran, P.C.
Certified Public Accountants
Caro, Michigan

October 28, 2021