

**KINGSTON COMMUNITY SCHOOLS**  
Kingston, Michigan

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

YEAR ENDED JUNE 30, 2022

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

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## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Audit of the Financial Statements

#### *Opinions*

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, 2022, and the related notes to the financial statements, which collectively comprise Kingston Community Schools' basic financial statements as listed in the table of contents.

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

#### *Basis for Opinions*

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

#### *Change in Accounting Principle*

As discussed in Note 13 to the financial statements, in 2022 the District adopted new accounting guidance, GASB Statement No. 87, *Leases*. Our opinions are not modified with respect to this matter.

#### *Responsibilities of Management for the Financial Statements*

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

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

## ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

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

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

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

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

### ***Supplementary Information***

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

generally accepted in the United States of America. In our opinion, the additional supplementary information, including the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2022, 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 25, 2022

## **Kingston Community Schools Management's Discussion and Analysis**

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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, 2022 and June 30, 2021.

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, 2022 and 2021:

<b>Assets</b>	<b>6/30/2022</b>	<b>6/30/2021*</b>
Current assets	\$ 3,607,795	\$ 3,307,210
Capital assets (net of depreciation)	9,355,250	8,762,478
Total assets	<u>12,963,045</u>	<u>12,069,688</u>
<b>Deferred Outflows of Resources</b>		
Related to other postemployment benefits	756,124	826,396
Related to pensions	1,777,844	2,450,978
Total deferred outflows of resources	<u>2,533,968</u>	<u>3,277,374</u>
<b>Liabilities</b>		
Current liabilities	745,214	658,257
Net pension liability	7,975,018	11,448,610
Net other postemployment benefit liability	527,648	1,770,992
Long-term liabilities	6,179,262	6,336,872
Total liabilities	<u>15,427,142</u>	<u>20,214,731</u>
<b>Deferred Inflows of Resources</b>		
Related to pensions	2,839,250	411,424
Related to other postemployment benefits	2,091,206	1,492,467
Related to state aid funding for pension	547,991	429,950
Deferred gain on bond refunding	28,616	33,592
Total deferred inflows of resources	<u>5,507,063</u>	<u>2,367,433</u>
<b>Net Position</b>		
Net investment in capital assets	3,180,127	2,433,385
Restricted for:		
Debt service	140,771	142,790
Food service	55,155	-
Woloshen	57,448	108,051
Unrestricted	(8,870,693)	(9,919,328)
Total net position	<u>\$ (5,437,192)</u>	<u>\$ (7,235,102)</u>

\*The 2021 figures have not been updated for the adoption of GASB 87.

### Analysis of Financial Position

During the fiscal year ended June 30, 2022, the District's net position increased by \$1,797,910. 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 decreased from \$11,448,610 at June 30, 2021 to the net pension liability of \$7,975,018 as of June 30, 2022. 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 \$1,770,992 at June 30, 2021 to \$527,648 as of June 30, 2022. 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/amortization expense and the accumulation of depreciation/amortization expense over time. The net increase in accumulated depreciation/amortization expense is a reduction in net position.

Depreciation/amortization expense is recorded on a straight-line basis over the estimated useful lives of the assets. In accordance with GAAP, depreciation/amortization 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, 2022 and June 30, 2021, \$430,323 and \$318,547 were recorded for depreciation/amortization expense.

## 3. Capital Outlay Acquisitions

For the fiscal year ended June 30, 2022, \$882,152 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 an increase to capital assets in the amount of \$451,829 for the fiscal year ended June 30, 2022.

## Results of Operations

For the fiscal year ended June 30, 2022 and 2021, the results of operations, on a District-wide basis, were:

	Year Ended June 30, 2022		Year Ended June 30, 2021	
	Amount	% of Total	Amount	% of Total
<b>General Revenues</b>				
Property Taxes	\$ 1,043,746	11.06%	\$ 1,005,302	12.10%
Investment earnings	2,974	0.03%	5,425	0.07%
State sources	4,747,934	50.33%	4,687,668	56.42%
Other	193,066	2.05%	176,783	2.13%
Total general revenues	5,987,720	63.47%	5,875,178	70.71%
<b>Program Revenues</b>				
Charges for services	174,731	1.85%	104,449	1.26%
Operating grants and contributions	3,271,991	34.68%	2,328,902	28.03%
Total revenues	9,434,442	100.00%	8,308,529	100.00%
<b>Expenses</b>				
Instruction	3,472,947	45.48%	3,992,056	50.45%
Support services	2,679,266	35.08%	2,603,133	32.90%
Community services	142,740	1.87%	128,280	1.62%
Food services	438,653	5.74%	508,205	6.42%
Interest on long-term debt	205,247	2.69%	212,078	2.68%
Capital outlay	56,178	0.74%	34,609	0.44%
Unallocated depreciation expense	430,323	5.64%	318,547	4.03%
Other	211,178	2.77%	116,088	1.47%
Total expenses	7,636,532	100.00%	7,912,996	100.00%
Change in net position	<u>\$ 1,797,910</u>		<u>\$ 395,533</u>	

\*The 2021 figures have not been updated for the adoption of GASB 87.

# Kingston Community Schools

## Management's Discussion and Analysis

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### 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 2021-2022 fiscal year, the district levied \$516,821 non-homestead property taxes. This represented an increase of \$41,412 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
2021 - 2022	\$516,821	\$41,412
2020 - 2021	475,409	38,413
2019 - 2020	436,996	8,311
2018 - 2019	428,685	28,741
2017 - 2018	399,944	26,695

#### 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 2021-2022 fiscal year, the District's foundation allowance was \$8,700 per student FTE, which was a \$589 increase from the amount received in the 2020-2021 fiscal year.

#### 3. Student Enrollment

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

2021 -- 2022	614
2020 -- 2021	598
2019 -- 2020	584
2018 -- 2019	595
2017 -- 2018	587

#### 4. Operating Grants

The District funds a significant portion of its operations with categorical sources. For the fiscal year ended June 30, 2022, federal, state and other operating grants accounted for \$3,271,991. This represents an increase of \$943,089 over the total grant sources received for the 2020-2021 fiscal year.

## Kingston Community Schools Management's Discussion and Analysis

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### 5. Interest Earnings

The District received interest on its investments in the amount of \$2,974 for the fiscal year ended June 30, 2022. This represents a decrease over the prior fiscal year of \$2,451.

### 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 1<sup>st</sup>. Any amendments made to the operating budget must be approved by the Board prior to the close of the fiscal year on June 30<sup>th</sup>.

For the 2021-2022 fiscal year, the district amended the general fund budget two times with the Board adopting the final changes in June 2022. 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>\$ 6,833,151</u>	<u>\$ 8,316,561</u>	<u>\$ 8,246,706</u>	<u>\$ (69,855)</u>	<u>-0.84%</u>
Expenditures					
Instruction	\$ 3,930,906	\$ 4,073,479	\$ 4,072,398	\$ 1,081	0.03%
Supporting services	2,611,135	3,550,681	3,644,199	(93,518)	-2.63%
Other	<u>151,209</u>	<u>256,894</u>	<u>255,450</u>	<u>1,444</u>	<u>0.56%</u>
Total expenditures	<u>\$ 6,693,250</u>	<u>\$ 7,881,054</u>	<u>\$ 7,972,047</u>	<u>\$ (90,993)</u>	<u>-1.15%</u>
Total other financing sources (uses)	<u>\$ (114,503)</u>	<u>\$ (88,103)</u>	<u>\$ 3,851</u>	<u>\$ 91,954</u>	<u>-104.37%</u>

### Capital Asset and Debt Administration

#### Capital Assets

By the end of the 2021-2022 fiscal year, the district had invested \$18,973,298 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 \$451,829. Depreciation/amortization expense for the year amounted to \$430,323, bringing the total accumulated depreciation to \$9,618,048 as of June 30, 2022.

#### Long-term Debt

At June 30, 2022, the District had \$6,179,262 in long-term debt outstanding. This represents a decrease of \$298,553 over the amount outstanding at the close of the prior fiscal year.

## **Kingston Community Schools Management's Discussion and Analysis**

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### **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 2022-2023 school year.
- The District will incur additional costs associated with the COVID-19 virus. These costs include (but not limited to), maintaining 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 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  
(989) 683-2294

## BASIC FINANCIAL STATEMENTS

**KINGSTON COMMUNITY SCHOOLS**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2022**

	<b>GOVERNMENTAL ACTIVITIES</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 2,493,852
Investments	57,448
Accounts receivable	6,550
Intergovernmental receivables	1,049,945
Capital assets not being depreciated	28,200
Capital assets, net of accumulated depreciation/amortization	9,327,050
<b>TOTAL ASSETS</b>	<b>12,963,045</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Related to other postemployment benefits	756,124
Related to pensions	1,777,844
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>2,533,968</b>
<b>LIABILITIES</b>	
Accounts payable	10,195
Accrued salaries and related items	399,995
Accrued retirement	188,611
Unearned revenue	109,508
Accrued interest payable	36,905
Noncurrent liabilities:	
Due within one year	412,554
Due in more than one year	5,766,708
Net other postemployment benefits liability	527,648
Net pension liability	7,975,018
<b>TOTAL LIABILITIES</b>	<b>15,427,142</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Related to pensions	2,839,250
Related to other postemployment benefit liabilities	2,091,206
Related to state aid funding for pension	547,991
Deferred gain on bond refunding, net of amortization	28,616
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>5,507,063</b>
<b>NET POSITION</b>	
Net investment in capital assets	3,180,127
Restricted for debt service	140,771
Restricted for special revenue (food service)	55,155
Restricted for special revenue (Woloshen)	57,448
Unrestricted	(8,870,693)
<b>TOTAL NET POSITION</b>	<b>\$ (5,437,192)</b>

See notes to financial statements.

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

Functions/Programs	Expenses	Program Revenues		<b>Governmental Activities</b>
		Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental activities:				
Instruction	\$ 3,472,947	\$ 98,841	\$ 1,773,592	\$ (1,600,514)
Support services	2,679,266	65,990	771,778	(1,841,498)
Community service	142,740	-		(142,740)
Food services	438,653	9,900	570,242	141,489
Public library	16,643		-	(16,643)
Woloshen	50,603			(50,603)
Student/school activities	143,353		156,379	13,026
Interest on long-term debt	205,247			(205,247)
Capital outlay	56,178			(56,178)
Other	579			(579)
Unallocated depreciation/amortization	430,323			(430,323)
<b>Total governmental activities</b>	<b>\$ 7,636,532</b>	<b>\$ 174,731</b>	<b>\$ 3,271,991</b>	<b>(4,189,810)</b>
General revenues:				
Property taxes, levied for general purposes				516,821
Property taxes, levied for debt service				526,925
State of Michigan school aid unrestricted				4,747,934
Investment earnings				2,974
Penal fines				21,361
Sale of capital assets				1,400
Other				170,305
<b>Total general revenue</b>				<b>5,987,720</b>
Change in net position				1,797,910
Net position, beginning of year				(7,235,102)
Net position, end of year				\$ (5,437,192)

**KINGSTON COMMUNITY SCHOOLS**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2022**

	<u>GENERAL FUND</u>	<u>2018 CAPITAL PROJECTS</u>	<u>OTHER NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b><u>ASSETS</u></b>				
Cash and cash equivalents	\$ 1,909,835	\$ -	\$ 584,017	\$ 2,493,852
Investments			57,448	57,448
Accounts receivable	4,050		2,500	6,550
Due from other funds	20,599		16,337	36,936
Intergovernmental receivables	1,044,960		4,985	1,049,945
<b>TOTAL ASSETS</b>	<b><u>\$ 2,979,444</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 665,287</u></b>	<b><u>\$ 3,644,731</u></b>
<b><u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES &amp; FUND BALANCE</u></b>				
LIABILITIES:				
Accounts payable	\$ 10,109	\$ -	\$ 86	\$ 10,195
Accrued salaries and related items	399,995	-	-	399,995
Accrued retirement	188,611		-	188,611
Unearned revenue	109,508			109,508
Due to other funds	-		36,936	36,936
<b>TOTAL LIABILITIES</b>	<b><u>708,223</u></b>	<b><u>-</u></b>	<b><u>37,022</u></b>	<b><u>745,245</u></b>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - federal grant	11,667			11,667
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b><u>11,667</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>11,667</u></b>
FUND BALANCE:				
Restricted for:				
Debt service			177,676	177,676
Food service			169,626	169,626
Public library			8,187	8,187
Woloshen			57,448	57,448
Committed for:				
Capital projects			114,221	114,221
Student/school activities			101,107	101,107
Assigned for:				
Compensated absences	32,755			32,755
Unassigned	2,226,799			2,226,799
<b>TOTAL FUND BALANCE</b>	<b><u>2,259,554</u></b>	<b><u>-</u></b>	<b><u>628,265</u></b>	<b><u>2,887,819</u></b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES &amp; FUND BALANCE</b>	<b><u>\$ 2,979,444</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 665,287</u></b>	<b><u>\$ 3,644,731</u></b>

See notes to financial statements.

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

**Total Fund Balances - Governmental Funds** \$ 2,887,819

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

Deferred outflows of resources - related to pensions	1,777,844
Deferred outflows of resources - related to other postemployment benefits	756,124
Deferred inflows of resources - related to pensions	(2,839,250)
Deferred inflows of resources - related to other postemployment benefits	(2,091,206)
Deferred inflows of resources - related to state aid funding for pension	(547,991)
Deferred inflows of resources - gain on refunding, net of amortization	(28,616)
Deferred inflows of resources - related to unavailable revenue	11,667

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

The cost of the capital assets is:	18,973,298
Accumulated depreciation/amortization is:	(9,618,048)

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

Long term debt obligations	(5,980,516)
Notes from direct borrowing and direct placement	(165,991)
Compensated absences	(32,755)
Accrued interest is not reported as a liability in governmental funds; it is recorded when paid	(36,905)
Net other postemployment benefit liability	(527,648)
Net pension liability	<u>(7,975,018)</u>

**Net Position of Governmental Activities** \$ (5,437,192)

See notes to financial statements.

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

	<b>GENERAL FUND</b>	<b>2018 CAPITAL PROJECTS</b>	<b>OTHER NONMAJOR GOVERNMENTAL FUNDS</b>	<b>TOTAL GOVERNMENTAL FUNDS</b>
<b>REVENUES:</b>				
Local sources				
Property taxes	\$ 516,821	\$ -	\$ 526,925	\$ 1,043,746
Charges for services	164,831		9,900	174,731
Investment earnings	2,168	-	806	2,974
Student activity income			156,379	156,379
Other	168,744		22,922	191,666
State sources	5,858,471		55,263	5,913,734
Federal sources	1,535,671		520,515	2,056,186
<b>TOTAL REVENUES</b>	<b>8,246,706</b>	<b>-</b>	<b>1,292,710</b>	<b>9,539,416</b>
<b>EXPENDITURES:</b>				
Instruction	4,072,398			4,072,398
Supporting services	3,644,199			3,644,199
Community services	161,679			161,679
Food service			476,532	476,532
Public library			26,112	26,112
Woloshen			50,603	50,603
Student/school activities			143,353	143,353
Capital outlay		5,436	252,368	257,804
Debt services:				
Principal payments	91,906		305,000	396,906
Interest	1,865		224,213	226,078
Fees		-	579	579
<b>TOTAL EXPENDITURES</b>	<b>7,972,047</b>	<b>5,436</b>	<b>1,478,760</b>	<b>9,456,243</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>274,659</b>	<b>(5,436)</b>	<b>(186,050)</b>	<b>83,173</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from leases	116,954	-		116,954
Sale of capital assets	1,400			1,400
Transfers out	(114,503)	-	-	(114,503)
Transfers in	-	-	114,503	114,503
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>3,851</b>	<b>-</b>	<b>114,503</b>	<b>118,354</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>278,510</b>	<b>(5,436)</b>	<b>(71,547)</b>	<b>201,527</b>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<b>1,981,044</b>	<b>5,436</b>	<b>699,812</b>	<b>2,686,292</b>
<b>FUND BALANCES - END OF YEAR</b>	<b>\$ 2,259,554</b>	<b>\$ -</b>	<b>\$ 628,265</b>	<b>\$ 2,887,819</b>

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, 2022**

<b>Total net change in fund balances--governmental funds</b>	<b>\$ 201,527</b>
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/amortization:	
Depreciation/amortization expense	(430,323)
Capital outlay	882,152
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	396,906
Proceeds from leases	(116,954)
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	37,339
Accrued interest payable at the end of the year	(36,905)
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	35,935
Accrued absences at the end of the year	(32,755)
Revenue is recorded on the accrual method in the statement of activities; in the governmental funds it is recorded on the modified accrual method and not considered available:	
Unavailable revenue - federal grants at the beginning of year	-
Unavailable revenue - federal grants at the end of year	11,667
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	574,333
Pension related items	372,632
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	(118,041)
<b>Change in net position of governmental activities</b>	<b>\$ 1,797,910</b>

**KINGSTON COMMUNITY SCHOOLS**  
Notes to Financial Statements  
Year Ended June 30, 2022

**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, 2022

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	\$ 5,056,338

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, 2022

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, 2022

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 30<sup>th</sup>. 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, 2022

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, equipment, right to use – leased 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. Right to use assets of the District are amortized using the straight-line method over the shorter of the lease period or the estimated useful lives. The other capital assets 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
Right to use – leased equipment	2 – 5 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, 2022

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 five 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. The fifth item arises only under a modified accrual basis of accounting. Accordingly, the item, unavailable revenue, is reported only on the governmental funds balance sheet. The governmental funds report unavailable revenue when it is received after 60 days of year end. The amounts are deferred and recognized as an 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, 2022**

10. Leases

Lessee: The District is a lessee for a noncancelable lease of equipment. The District recognizes a lease liability and an intangible right-to-use lease asset in the government-wide financial statements. The District recognizes lease liabilities with an initial, individual value that it considers significant to the government-wide financial statements, or with annual lease payments that is considered significant to the fund in which they are accounted for.

At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgements related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term obligations on the statement of net position.

**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, 2022, 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	5.10

**KINGSTON COMMUNITY SCHOOLS**  
Notes to Financial Statements  
Year Ended June 30, 2022

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, 2022

**NOTE 2 – DEPOSITS AND INVESTMENTS:**

At June 30, 2022, 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, 2022, \$382,375 of the District's bank balance of \$2,001,639 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 \$2,493,852.

**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.

**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>
Publicly traded mutual funds	\$ 57,448	Aaa/AA+	Standard & Poor's
Total fair value	<u>\$ 57,448</u>		

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

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

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

	Primary Government
Cash and cash equivalents	\$ 2,493,852
Investments	57,448
	\$ 2,551,300

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**NOTE 3 – INTERGOVERNMENTAL RECEIVABLES:**

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

State Aid - State of Michigan	\$ 1,019,910
Federal	30,035
	_____
Total	\$ 1,049,945

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:

	<b>AS RESTATED</b>			
	<b>BALANCE</b>	<b>ADDITIONS/</b>	<b>DELETIONS/</b>	<b>BALANCE</b>
	<b>July 1, 2021</b>	<b>RECLASS</b>	<b>RECLASS</b>	<b>June 30, 2022</b>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 28,200	\$ -	\$ -	\$ 28,200
Total capital assets, not being depreciated	28,200	-	-	28,200
Capital assets being depreciated/amortized:				
Building and Improvements	15,931,812	640,376		16,572,188
Furniture and equipment	1,990,191	124,822		2,115,013
Right to use - leased equipment	140,943	116,954		257,897
Subtotal	18,062,946	882,152	-	18,945,098
Accumulated depreciation/amortization:				
Building and Improvements	(7,521,564)	(276,908)		(7,798,472)
Furniture and equipment	(1,666,161)	(61,502)		(1,727,663)
Right to use - leased equipment		(91,913)		(91,913)
Subtotal	(9,187,725)	(430,323)	-	(9,618,048)
Capital assets being depreciated/amortized	8,875,221	451,829	-	9,327,050
Total governmental capital assets	\$ 8,903,421	\$ 451,829	\$ -	\$ 9,355,250

Depreciation/amortization for the fiscal year ended June 30, 2022 amounted to \$430,323 and is reported as unallocated depreciation/amortization on the statement of activities. The District determined that it was impractical to allocate depreciation/amortization to the various governmental activities as the assets serve multiple functions.

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**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, 2022:

	General obligation bonds	Notes from direct borrowings and direct placements	Compensated absences	Total
Balance July 1, 2021, as restated	\$ 6,300,937	\$ 140,943	\$ 35,935	\$ 6,477,815
Additions		116,954		116,954
Deletions	(320,421)	(91,906)	(3,180)	(415,507)
Balance June 30, 2022	5,980,516	165,991	32,755	6,179,262
Due within one year	(320,000)	(92,554)	-	(412,554)
Due in more than one year	<u>\$ 5,660,516</u>	<u>\$ 73,437</u>	<u>\$ 32,755</u>	<u>\$ 5,766,708</u>

Long-term obligations at June 30, 2022 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%.	\$ 1,415,000
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%.	4,360,000
Plus: premium on bond issuance, net	236,607
Less: discount on bond issuances, net	(31,091)
Total general obligation bonds	<u>5,980,516</u>

**Notes from direct borrowings and direct placements:**

Bus lease due in annual installments of \$71,204 through August 2022, with an implied interest rate of 2.1%.	69,739
Copier lease due in monthly installments of \$1,913 through July 2026, with an implied interest rate of 2.1%.	89,763
Postage machine lease due in monthly installments of \$138 through July 2026, with an implied interest rate of 2.1%.	6,489
Total notes from direct borrowings and direct placements	<u>165,991</u>
Total general obligation bonds and notes from direct borrowings and direct placements	<u>6,146,507</u>
Compensated absences	<u>32,755</u>
Total long-term debt	<u>\$ 6,179,262</u>

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The District's outstanding notes from direct borrowings and direct placements related to governmental activities of \$165,991 contains provisions that in an event of default, either by (1) unable to make principal or interest payments (2) false or misrepresentation is made to the lender (3) become insolvent or make an assignment for the benefit of its creditors (4) if the lender at any time in good faith believes that the prospect of payment of any indebtedness is impaired. Upon the occurrence of any default event, the outstanding amounts, including accrued interest become immediately due and payable.

At June 30, 2022, \$177,676 is available in the debt service funds to service the general obligation debt.

Interest expense (all funds) for the year ended June 30, 2022 was approximately \$226,078.

The annual requirements to amortize the long-term obligations as of June 30, 2022 are as follows:

Year ending June 30,	General obligation bonds		Notes from direct borrowings and direct placements		Compensated absences	Total
	Principal	Interest	Principal	Interest		
2023	\$ 320,000	\$ 214,112	\$ 92,554	\$ 3,268	\$ -	\$ 629,934
2024	325,000	203,513	23,299	1,319		553,131
2025	335,000	193,762	23,793	825		553,380
2026	345,000	183,713	24,297	321		553,331
2027	355,000	173,362	2,048	3		530,413
2028-2032	1,860,000	671,213				2,531,213
2033-2037	2,235,000	275,600				2,510,600
	<u>5,775,000</u>	<u>1,915,275</u>	<u>165,991</u>	<u>5,736</u>	<u>-</u>	<u>7,862,002</u>
Premium on bonds	236,607					236,607
Discount on bonds	(31,091)					(31,091)
Compensated absences					32,755	32,755
Total long-term debt	<u>\$ 5,980,516</u>	<u>\$ 1,915,275</u>	<u>\$ 165,991</u>	<u>\$ 5,736</u>	<u>\$ 32,755</u>	<u>\$ 8,100,273</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, 2022, \$1,525,000 of bonds outstanding are considered defeased.

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**NOTE 6 – PENSION AND OTHER POSTEMPLOYMENT BENEFITS:**

**Plan Description**

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

**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 MPERS 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.

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**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

**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.

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**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.

**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.

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**Employer Contributions**

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

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

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

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

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

The District's pension contributions for the year ended June 30, 2022 were equal to the required contribution total. Total pension contributions were approximately \$1,198,000. Of the total pension contributions approximately \$1,147,000 was contributed to fund the Defined Benefit Plan and approximately \$51,000 was contributed to fund the Defined Contribution Plan.

The District's OPEB contributions for the year ended June 30, 2022 were equal to the required contribution total. Total OPEB contributions were approximately \$269,000. Of the total OPEB contributions approximately \$248,000 was contributed to fund the Defined Benefit Plan and approximately \$21,000 was contributed to fund the Defined Contribution Plan.

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

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

**Pension Liabilities**

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

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<b>MPSERS (Plan) Non-university employers:</b>	<b>September 30, 2021</b>	<b>September 30, 2020</b>
Total Pension Liability	\$ 86,392,473,395	\$ 85,290,583,799
Plan Fiduciary Net Position	\$ 62,717,060,920	\$ 50,939,496,006
Net Pension Liability	\$ 23,675,412,475	\$ 34,351,087,793
Proportionate Share	0.03368%	0.03333%
Net Pension Liability for the District	\$ 7,975,018	\$ 11,448,610

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

For the year ended June 30, 2022, the District recognized pension expense of \$765,028.

At June 30, 2022, 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	\$ 502,717	
Net difference between projected and actual plan investment earnings		\$ (2,563,943)
Differences between expected and actual experience	123,536	(46,963)
Changes in proportion and differences between employer contributions and proportionate share of contributions	82,721	(228,344)
District's contributions subsequent to the measurement date	1,068,870	
	<u>\$ 1,777,844</u>	<u>\$ (2,839,250)</u>

\$1,068,870, 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>
2022	\$ (334,171)
2023	(494,554)
2024	(618,736)
2025	(682,815)

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

**OPEB Liabilities**

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

**KINGSTON COMMUNITY SCHOOLS**  
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<b>MPSERS (Plan) Non-university employers:</b>	<b>September 30, 2021</b>	<b>September 30, 2020</b>
Total other postemployment benefit liability	\$ 12,046,393,511	\$ 13,206,903,534
Plan fiduciary net position	\$ 10,520,015,621	\$ 7,849,636,555
Net other postemployment benefit liability	\$ 1,526,377,890	\$ 5,357,266,979
Proportionate share	0.03457%	0.03306%
Net other postemployment benefit liability for the District	\$ 527,648	\$ 1,770,992

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

For the year ended June 30, 2022, the District recognized OPEB benefit of \$325,235.

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

	<b>Deferred Outflows of Resources</b>	<b>Deferred (Inflows) of Resources</b>
Changes of assumptions	\$ 441,088	\$ (66,003)
Changes in proportion and differences between employer contributions and proportionate share of contributions	102,311	(121,371)
Difference between expected and actual experience		(1,506,134)
Net difference between projected and actual earnings on OPEB plan investments		(397,698)
Reporting Unit contributions subsequent to the measurement date	212,725	
Total	<u>\$ 756,124</u>	<u>\$ (2,091,206)</u>

\$212,725, reported as deferred outflows of resources related to OPEB resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year.

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

<u>Year ended September 30,</u>	<u>Amount</u>
2022	\$ (428,090)
2023	(381,179)
2024	(330,563)
2025	(307,489)
2026	(88,832)
2027	(11,654)

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**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%.

**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 valuation.

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

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

**Healthcare cost trend rate for other postemployment benefit** – Pre 65, 7.75% for year one and graded to 3.5% in year fifteen. Post 65, 5.25% for year one and graded to 3.5% in year fifteen.

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

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

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

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

**KINGSTON COMMUNITY SCHOOLS**  
Notes to Financial Statements  
Year Ended June 30, 2022

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

Investment Category	Target Allocation	Long-term expected real rate of return*
Domestic equity pools	25.0%	5.4%
International equity pools	15.0%	7.5%
Private equity pools	16.0%	9.1%
Real estate and infrastructure pools	10.0%	5.4%
Fixed income pools	10.5%	-0.7%
Absolute return pools	9.0%	2.6%
Real return/opportunistic pools	12.5%	6.1%
Short term investment pools	2.0%	-1.3%
	100.0%	

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

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

**Pension Discount rate** – A single discount rate of 6.80% was used to measure the total pension liability (6.00% for 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	\$ 11,402,113	\$ 7,975,018	\$ 5,133,731

**KINGSTON COMMUNITY SCHOOLS**  
Notes to Financial Statements  
Year Ended June 30, 2022

**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	\$ 980,465	\$ 527,648	\$ 143,368

**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, 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	\$ 128,425	\$ 527,648	\$ 976,822

**Pension and OPEB Plan Fiduciary Net Position** - Detailed information about the pension and OPEB's fiduciary net position is available in the separately issued Michigan Public School Employees Retirement System 2021 Annual Comprehensive Financial Report.

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

**NOTE 7 – INTERFUND RECEIVABLES AND PAYABLES:**

The following interfund balances were outstanding at June 30, 2022:

Receivable Fund	Payable Fund	
	Nonmajor Funds	Total
General Fund	\$ 20,599	\$ 20,599
Nonmajor Funds	16,337	16,337
Total	\$ 36,936	\$ 36,936

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

**KINGSTON COMMUNITY SCHOOLS**  
Notes to Financial Statements  
Year Ended June 30, 2022

**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.

Subsequent to year end, the District was made aware of a potential penalty imposed for an unqualified teacher. The total amount of the penalty is uncertain, but is estimated to potentially result in an approximately \$75,000 reduction in state aid funding. Amount is being appealed.

**NOTE 10 – TRANSFERS:**

The transfers between funds for the fiscal year ended June 30, 2022 were as follows:

	<b>TRANSFERS IN</b>	<b>TRANSFERS OUT</b>
General Fund	\$ -	\$ 114,503
Nonmajor Governmental Funds	114,503	-
	\$ 114,503	\$ 114,503

The \$114,503 transfer to the Non-bond Capital Projects Fund from the General Fund was to subsidize operations.

**NOTE 11 - 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.

**KINGSTON COMMUNITY SCHOOLS**  
Notes to Financial Statements  
Year Ended June 30, 2022

**NOTE 12 – UPCOMING ACCOUNTING PRONOUNCEMENTS:**

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.

**NOTE 13 - CHANGE IN ACCOUNTING PRINCIPLE:**

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

**Summary:**

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

The restatement of the beginning of year had no impact on net position. The change capital assets and long-term obligations is as follows:

	Capital assets	Long-term obligations
Balances as of July 1, 2021, as previously stated	\$ 8,762,478	\$ 6,336,872
Adoption of GASB Statements 87	140,943	140,943
Balances as of July 1, 2021, as restated	\$ 8,903,421	\$ 6,477,815

## REQUIRED SUPPLEMENTARY INFORMATION

**KINGSTON COMMUNITY SCHOOLS**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2022**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET</u>
<b>REVENUES</b>				
Local sources				
Property taxes	\$ 516,017	\$ 516,017	\$ 516,821	\$ 804
Charges for services	103,483	164,630	164,831	201
Investment earnings	1,900	1,900	2,168	268
Other	97,525	150,395	168,744	18,349
State sources	5,732,301	5,844,808	5,858,471	13,663
Federal sources	381,925	1,638,811	1,535,671	(103,140)
<b>TOTAL REVENUES</b>	<u>6,833,151</u>	<u>8,316,561</u>	<u>8,246,706</u>	<u>(69,855)</u>
<b>EXPENDITURES</b>				
Instruction				
Basic programs	3,298,741	3,360,373	3,357,829	2,544
Added needs	632,165	713,106	714,569	(1,463)
Total instruction	<u>3,930,906</u>	<u>4,073,479</u>	<u>4,072,398</u>	<u>1,081</u>
Supporting services				
Pupil services	281,306	298,140	298,744	(604)
Staff services	68,386	64,893	63,379	1,514
General administration	285,298	300,018	299,682	336
School administration	439,838	457,912	447,563	10,349
Business services	157,998	168,981	166,002	2,979
Operations and maintenance	680,250	1,487,584	1,598,782	(111,198)
Pupil transportation	304,350	269,140	265,785	3,355
Central services	242,485	318,908	318,973	(65)
Athletic activities	151,224	185,105	185,289	(184)
Total supporting services	<u>2,611,135</u>	<u>3,550,681</u>	<u>3,644,199</u>	<u>(93,518)</u>
Community services				
Cardinal center	151,209	154,887	153,443	1,444
Drivers education	-	8,236	8,236	-
Total community services	<u>151,209</u>	<u>163,123</u>	<u>161,679</u>	<u>1,444</u>
Debt service				
Principal repayment	-	91,906	91,906	-
Interest expense	-	1,865	1,865	-
Total debt service	<u>-</u>	<u>93,771</u>	<u>93,771</u>	<u>-</u>
<b>TOTAL EXPENDITURES</b>	<u>6,693,250</u>	<u>7,881,054</u>	<u>7,972,047</u>	<u>(90,993)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>139,901</u>	<u>435,507</u>	<u>274,659</u>	<u>(160,848)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from leases	-	-	116,954	116,954
Sale of fixed assets	-	1,400	1,400	-
Transfers in	-	25,000	-	(25,000)
Transfers out	(114,503)	(114,503)	(114,503)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(114,503)</u>	<u>(88,103)</u>	<u>3,851</u>	<u>91,954</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>\$ 25,398</u>	<u>\$ 347,404</u>	<u>278,510</u>	<u>\$ (68,894)</u>
<b>FUND BALANCE - BEGINNING OF YEAR</b>			<u>1,981,044</u>	
<b>FUND BALANCE - END OF YEAR</b>			<u>\$ 2,259,554</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>2021</u>	<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 (%)	0.03368%	0.03333%	0.03391%	0.03482%	0.03598%	0.03533%	0.03370%	0.03372%
Reporting unit's proportionate share of net pension liability	\$ 7,975,018	\$ 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	\$ 3,142,290	\$ 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	253.80%	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)	72.60%	59.72%	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%

This schedule is presented to illustrate the requirement to show information for 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>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contributions	\$1,147,332	\$1,002,674	\$ 919,527	\$ 895,666	\$ 944,354	\$ 833,209	\$ 719,670	\$ 615,073
Contributions in relation to statutorily required contributions	<u>1,147,332</u>	<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>	<u>\$ -</u>
Reporting unit's covered- employee payroll	\$3,185,161	\$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	36.02%	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>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Reporting unit's proportion of net OPEB liability (%)	0.03457%	0.03306%	0.03409%	0.03396%	0.03594%
Reporting unit's proportionate share of net OPEB liability	\$ 527,648	\$ 1,770,992	\$ 2,446,723	\$ 2,699,155	\$ 3,182,950
Reporting unit's covered-employee payroll	\$ 3,142,290	\$ 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	16.79%	60.47%	84.88%	93.39%	105.79%
Plan fiduciary net position as a percentage of total OPEB liability (Non-university employers)	87.33%	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>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contributions	\$ 247,755	\$ 244,885	\$ 231,307	\$ 227,184	\$ 228,323
Contributions in relation to statutorily required contributions	<u>247,755</u>	<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>	<u>\$ -</u>
Reporting unit's covered-employee payroll	\$3,185,161	\$3,068,523	\$2,957,847	\$2,843,199	\$2,910,769
Contributions as a percentage of covered-employee payroll	7.78%	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, 2022**

Pension Information

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

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

OPEB Information

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

**Changes of assumptions - the assumption changes for 2021 were:**

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

ADDITIONAL SUPPLEMENTARY INFORMATION

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

	<b><u>SPECIAL REVENUE FUNDS</u></b>	<b><u>DEBT SERVICE FUNDS</u></b>	<b><u>NON-BOND CAPITAL PROJECTS</u></b>	<b><u>TOTAL NONMAJOR FUNDS</u></b>
<b><u>ASSETS</u></b>				
Cash and equivalents	\$ 292,868	\$ 176,928	\$ 114,221	\$ 584,017
Investments	57,448			57,448
Accounts receivable	1,752	748		2,500
Due from other funds	-	16,337		16,337
Due from other governmental units	4,985			4,985
<b>TOTAL ASSETS</b>	<b><u><u>\$ 357,053</u></u></b>	<b><u><u>\$ 194,013</u></u></b>	<b><u><u>\$ 114,221</u></u></b>	<b><u><u>\$ 665,287</u></u></b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>				
Accounts payable	\$ 86	\$ -	\$ -	\$ 86
Due to other funds	20,599	16,337	-	36,936
<b>TOTAL LIABILITIES</b>	<b><u><u>20,685</u></u></b>	<b><u><u>16,337</u></u></b>	<b><u><u>-</u></u></b>	<b><u><u>37,022</u></u></b>
<b><u>FUND BALANCES</u></b>				
Restricted for:				
Debt service		177,676		177,676
Food service	169,626			169,626
Public library	8,187			8,187
Woloshen	57,448			57,448
Committed for:				
Capital projects			114,221	114,221
Student/school activities	101,107			101,107
<b>TOTAL FUND BALANCES</b>	<b><u><u>336,368</u></u></b>	<b><u><u>177,676</u></u></b>	<b><u><u>114,221</u></u></b>	<b><u><u>628,265</u></u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u><u>\$ 357,053</u></u></b>	<b><u><u>\$ 194,013</u></u></b>	<b><u><u>\$ 114,221</u></u></b>	<b><u><u>\$ 665,287</u></u></b>

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

	<u>SPECIAL REVENUE FUNDS</u>	<u>DEBT SERVICE FUNDS</u>	<u>NON-BOND CAPITAL PROJECTS</u>	<u>TOTAL NONMAJOR FUNDS</u>
<b>REVENUES</b>				
Local sources				
Property taxes	\$ -	\$ 526,925	\$ -	\$ 526,925
Charges for services	9,900			9,900
Investment earnings	100	414	292	806
Student activity income	156,379			156,379
Other	22,922			22,922
State sources	55,263			55,263
Federal sources	<u>520,515</u>			<u>520,515</u>
<b>TOTAL REVENUES</b>	<u>765,079</u>	<u>527,339</u>	<u>292</u>	<u>1,292,710</u>
<b>EXPENDITURES</b>				
Salaries and wages	161,437			161,437
Employee benefits	97,793			97,793
Purchased services	4,255			4,255
Food	231,373			231,373
Supplies	17,299			17,299
Capital outlay	39,534		212,834	252,368
Miscellaneous	41,090			41,090
Student/school activities	<u>143,353</u>			<u>143,353</u>
Debt Service:				
Principal payments		305,000		305,000
Interest		224,213		224,213
Fees		<u>579</u>		<u>579</u>
<b>TOTAL EXPENDITURES</b>	<u>736,134</u>	<u>529,792</u>	<u>212,834</u>	<u>1,478,760</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>28,945</u>	<u>(2,453)</u>	<u>(212,542)</u>	<u>(186,050)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	<u>-</u>	<u>-</u>	<u>114,503</u>	<u>114,503</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>114,503</u>	<u>114,503</u>
<b>NET CHANGE IN FUND BALANCES</b>	28,945	(2,453)	(98,039)	(71,547)
<b>FUND BALANCES BEGINNING OF YEAR</b>	<u>307,423</u>	<u>180,129</u>	<u>212,260</u>	<u>699,812</u>
<b>FUND BALANCES END OF YEAR</b>	<u>\$336,368</u>	<u>\$ 177,676</u>	<u>\$ 114,221</u>	<u>\$ 628,265</u>

**KINGSTON COMMUNITY SCHOOLS**  
**COMBINING BALANCE SHEET**  
**SPECIAL REVENUE FUNDS**  
**JUNE 30, 2022**

	<u>FOOD SERVICES</u>	<u>PUBLIC LIBRARY FUND</u>	<u>WOLOSHEN</u>	<u>STUDENT/ SCHOOL ACTIVITIES</u>	<u>TOTAL SPECIAL REVENUE FUNDS</u>
<b><u>ASSETS</u></b>					
Cash and cash equivalents	\$ 164,641	\$ 27,011	\$ -	\$ 101,216	\$ 292,868
Investments	-	-	57,448		57,448
Accounts receivable	-	1,752			1,752
Due from other governmental units	4,985	-	-	-	4,985
<b>TOTAL ASSETS</b>	<b><u>\$ 169,626</u></b>	<b><u>\$ 28,763</u></b>	<b><u>\$ 57,448</u></b>	<b><u>\$ 101,216</u></b>	<b><u>\$ 357,053</u></b>
 <b><u>LIABILITIES &amp; FUND BALANCES</u></b>					
LIABILITIES:					
Accounts payable	\$ -	\$ 86	\$ -	\$ -	\$ 86
Due to other funds	-	20,490	-	109	20,599
<b>TOTAL LIABILITIES</b>	<b><u>-</u></b>	<b><u>20,576</u></b>	<b><u>-</u></b>	<b><u>109</u></b>	<b><u>20,685</u></b>
FUND BALANCES:					
Restricted for:					
Food service	169,626				169,626
Public library		8,187			8,187
Woloshen			57,448		57,448
Committed for:					
Student/school activities				101,107	101,107
<b>TOTAL FUND BALANCES</b>	<b><u>169,626</u></b>	<b><u>8,187</u></b>	<b><u>57,448</u></b>	<b><u>101,107</u></b>	<b><u>336,368</u></b>
<b>TOTAL LIABILITIES &amp; FUND BALANCES</b>	<b><u>\$ 169,626</u></b>	<b><u>\$ 28,763</u></b>	<b><u>\$ 57,448</u></b>	<b><u>\$ 101,216</u></b>	<b><u>\$ 357,053</u></b>

**KINGSTON COMMUNITY SCHOOLS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**SPECIAL REVENUE FUNDS**  
**YEAR ENDED JUNE 30, 2022**

	<u>FOOD SERVICES</u>	<u>PUBLIC LIBRARY FUND</u>	<u>WOLOSHEN</u>	<u>STUDENT/ SCHOOL ACTIVITIES</u>	<u>TOTAL SPECIAL REVENUE FUNDS</u>
<b>REVENUES:</b>					
Local sources:					
Charges for services	\$ 9,900	\$ -	\$ -	\$ -	\$ 9,900
Investment earnings				100	100
Student activity income				156,379	156,379
Other	1,561	21,361	-		22,922
State sources	49,727	5,536			55,263
Federal sources	520,515	-			520,515
<b>TOTAL REVENUES</b>	<u>581,703</u>	<u>26,897</u>	<u>-</u>	<u>156,479</u>	<u>765,079</u>
<b>EXPENDITURES:</b>					
Salaries and wages	148,598	12,839			161,437
Employee benefits	91,381	6,412			97,793
Purchased services	2,600	1,365	290		4,255
Food	231,373				231,373
Supplies		5,496	11,803		17,299
Capital outlay	39,534	-			39,534
Miscellaneous	2,580	-	38,510		41,090
Student/school activities				143,353	143,353
<b>TOTAL EXPENDITURES</b>	<u>516,066</u>	<u>26,112</u>	<u>50,603</u>	<u>143,353</u>	<u>736,134</u>
<b>NET CHANGE IN FUND BALANCES</b>	65,637	785	(50,603)	13,126	28,945
<b>FUND BALANCES BEGINNING OF YEAR</b>	<u>103,989</u>	<u>7,402</u>	<u>108,051</u>	<u>87,981</u>	<u>307,423</u>
<b>FUND BALANCES END OF YEAR</b>	<u>\$ 169,626</u>	<u>\$ 8,187</u>	<u>\$ 57,448</u>	<u>\$ 101,107</u>	<u>\$ 336,368</u>

**KINGSTON COMMUNITY SCHOOLS**  
**COMBINING BALANCE SHEET**  
**NONMAJOR DEBT SERVICE FUNDS**  
**JUNE 30, 2022**

	<u>2018 DEBT</u>	<u>2012 REFUNDING DEBT</u>	<u>TOTAL DEBT SERVICE</u>
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 124,922	\$ 52,006	\$ 176,928
Accounts receivable	390	358	748
Due from other funds	-	16,337	16,337
	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL ASSETS</b>	<b><u>\$ 125,312</u></b>	<b><u>\$ 68,701</u></b>	<b><u>\$ 194,013</u></b>
<b><u>LIABILITIES &amp; FUND BALANCES</u></b>			
LIABILITIES:			
Due to other funds	\$ 16,337	\$ -	\$ 16,337
	<u>          </u>	<u>          </u>	<u>          </u>
TOTAL LIABILITIES	<u>16,337</u>	<u>-</u>	<u>16,337</u>
FUND BALANCES:			
Restricted for debt service	108,975	68,701	177,676
	<u>          </u>	<u>          </u>	<u>          </u>
TOTAL FUND BALANCES	<u>108,975</u>	<u>68,701</u>	<u>177,676</u>
	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL LIABILITIES &amp; FUND BALANCES</b>	<b><u>\$ 125,312</u></b>	<b><u>\$ 68,701</u></b>	<b><u>\$ 194,013</u></b>

**KINGSTON COMMUNITY SCHOOLS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR DEBT SERVICE FUNDS**  
**YEAR ENDED JUNE 30, 2022**

	<u>2018 DEBT</u>	<u>2012 REFUNDING DEBT</u>	<u>TOTAL DEBT SERVICE</u>
REVENUES:			
Local sources:			
Property taxes	\$ 258,349	\$ 268,576	\$526,925
Investment earnings	250	164	414
	<u>258,599</u>	<u>268,740</u>	<u>527,339</u>
TOTAL REVENUES			
EXPENDITURES:			
Principal payments	95,000	210,000	305,000
Interest	175,150	49,063	224,213
Fees	379	200	579
	<u>270,529</u>	<u>259,263</u>	<u>529,792</u>
TOTAL EXPENDITURES			
NET CHANGE IN FUND BALANCES	(11,930)	9,477	(2,453)
FUND BALANCES BEGINNING OF YEAR	<u>120,905</u>	<u>59,224</u>	<u>180,129</u>
FUND BALANCES END OF YEAR	<u>\$ 108,975</u>	<u>\$ 68,701</u>	<u>\$177,676</u>

**KINGSTON COMMUNITY SCHOOLS**  
**SCHEDULE OF BONDED DEBT - 2012 REFUNDING BONDS**  
**JUNE 30, 2022**

<b>PRINCIPAL DUE MAY 1</b>	<b>RATE</b>	<b>INTEREST DUE</b>		<b>DEBT SERVICE REQUIREMENT FOR FISCAL YEAR</b>	
<u>MAY 1</u>	<u>RATE</u>	<u>MAY 1</u>	<u>NOVEMBER 1</u>	<u>JUNE 30</u>	<u>AMOUNT</u>
\$ 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>\$ 1,415,000</u>		<u>\$ 76,836</u>	<u>\$ 76,839</u>		<u>\$ 1,568,675</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, 2022**

<b>PRINCIPAL DUE MAY 1</b>	<b>RATE</b>	<b>INTEREST DUE</b>		<b>DEBT SERVICE REQUIREMENT FOR FISCAL YEAR</b>	
		<b>MAY 1</b>	<b>NOVEMBER 1</b>	<b>JUNE 30</b>	<b>AMOUNT</b>
\$ 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
<b><u>\$ 4,360,000</u></b>		<b><u>\$ 880,800</u></b>	<b><u>\$ 880,800</u></b>		<b><u>\$ 6,121,600</u></b>

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, 2022**

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL ASSISTANCE LISTING NUMBER	PASS- THROUGH GRANTOR'S NUMBER	AWARD AMOUNT	ACCRUED (UNEARNED) REVENUE 7/1/2021	(MEMO ONLY) PRIOR YEAR EXPENDITURES	CURRENT YEAR RECEIPTS	CURRENT YEAR EXPENDITURES	ACCRUED (UNEARNED) REVENUE 6/30/2022
U.S. DEPARTMENT OF AGRICULTURE:								
Passed through Michigan Dept. of Education:								
Child Nutrition Cluster:								
Non-cash assistance (donated foods):								
National School Lunch Program - Entitlement	10.555	N/A	\$ 22,346	\$ -	\$ -	\$ 22,346	\$ 22,346	\$ -
Total non-cash assistance			<u>22,346</u>	<u>-</u>	<u>-</u>	<u>22,346</u>	<u>22,346</u>	<u>-</u>
Cash assistance:								
COVID-19 National School Lunch Program	10.555	211965	5,145	-	-	5,145	5,145	-
COVID-19 National School Lunch Program	10.555	220910	16,525	-	-	16,525	16,525	-
COVID-19 National School Lunch Program	10.555	211961	41,694	-	-	41,694	41,694	-
COVID-19 National School Lunch Program	10.555	221961	288,746	-	-	288,746	288,746	-
Total ALN 10.555			<u>374,456</u>	<u>-</u>	<u>-</u>	<u>374,456</u>	<u>374,456</u>	<u>-</u>
COVID-19 School Breakfast Program	10.553	211971	17,211	-	-	17,211	17,211	-
COVID-19 School Breakfast Program	10.553	221970	4,564	-	-	4,564	4,564	-
COVID-19 School Breakfast Program	10.553	221971	118,077	-	-	118,077	118,077	-
Total ALN 10.553			<u>139,852</u>	<u>-</u>	<u>-</u>	<u>139,852</u>	<u>139,852</u>	<u>-</u>
COVID-19 Summer Food Service Program for Children	10.559	210904	23,884	19,021	19,021	23,884	4,863	-
Total ALN 10.559			<u>23,884</u>	<u>19,021</u>	<u>19,021</u>	<u>23,884</u>	<u>4,863</u>	<u>-</u>
Total cash assistance			<u>515,846</u>	<u>19,021</u>	<u>19,021</u>	<u>515,846</u>	<u>496,825</u>	<u>-</u>
Total Child Nutrition Cluster			<u>538,192</u>	<u>19,021</u>	<u>19,021</u>	<u>538,192</u>	<u>519,171</u>	<u>-</u>
Child and Adult Care Food Program	10.558	221920	1,345	-	-	1,345	1,345	-
COVID-19 Pandemic EBT Administrative Costs	10.649	210980-2021	614	-	-	614	614	-
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>540,151</u>	<u>19,021</u>	<u>19,021</u>	<u>540,151</u>	<u>521,130</u>	<u>-</u>
INSTITUTE OF MUSEUM AND LIBRARY SERVICES								
Passed through Michigan Dept. of Education:								
COVID-19 Grants to States	45.310	N/A	2,000	-	-	2,000	2,000	-

The accompanying notes are an integral part of the schedule.

**KINGSTON COMMUNITY SCHOOLS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2022**

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL ASSISTANCE LISTING NUMBER	PASS- THROUGH GRANTOR'S NUMBER	AWARD AMOUNT	ACCRUED (UNEARNED) REVENUE 7/1/2021	(MEMO ONLY) PRIOR YEAR EXPENDITURES	CURRENT YEAR RECEIPTS	CURRENT YEAR EXPENDITURES	ACCRUED (UNEARNED) REVENUE 6/30/2022
U.S. DEPARTMENT OF EDUCATION:								
Rural Education Achievement Program	84.358A	S358A211594	\$ 32,662	\$ -	\$ -	\$ 32,662	\$ 32,662	\$ -
Passed through Michigan Dept. of Education:								
Title I Grants to Local Educational Agencies	84.010	221530-2122	117,649	-	-	117,649	117,649	-
Supporting Effective Instruction State Grant	84.367	220520-2122	16,776	-	-	15,202	15,202	-
Student Support and Academic Enrichment Program	84.424	220750-2122	10,000	-	-	10,000	10,000	-
Education Stabilization Fund:								
COVID-19 Governor's Emergency Education Relief Funds (GEER II)	84.425C	211202-2122	18,000	-	-	18,000	18,000	-
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER II)	84.425D	213712-2021	411,349	-	-	411,349	411,349	-
Emergency Relief Fund (ESSER II)		213722-2122	79,750	-	-	79,750	79,750	-
Emergency Relief Fund (ESSER II)		213742-2122	22,000	-	-	22,000	22,000	-
Emergency Relief Fund (ESSER II)		213762-2022	5,338	-	-	5,338	5,338	-
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER III)	84.425U	213713-2122	924,488	-	-	304,334	304,334	-
Total ALN 84.425			1,460,925	-	-	840,771	840,771	-
Total passed through Michigan Dept. of Education			1,605,350	-	-	983,622	983,622	-
Passed through Tuscola Intermediate School District:								
Special Education IDEA Cluster:								
Special Education Flowthrough	84.027A	220450-2022	179,388	-	-	179,388	179,388	-
TOTAL U.S. DEPARTMENT OF EDUCATION			1,817,400	-	-	1,195,672	1,195,672	-
U.S. DEPARTMENT OF TREASURY:								
Passed through Tuscola Intermediate School District:								
COVID-19 Coronavirus State and Local Fiscal Recovery Fund:	21.027	222390-GSRP2122	141,018	-	-	92,786	111,154	18,368
TOTAL U.S. DEPARTMENT OF TREASURY			141,018	-	-	92,786	111,154	18,368
U.S. FEDERAL COMMUNICATIONS COMMISSION:								
Direct Program								
COVID-19 Emergency Connectivity Fund Program	32.009	N/A	138,480	-	-	126,480	138,147	11,667
TOTAL U.S. FEDERAL COMMUNICATIONS COMMISSION			138,480	-	-	126,480	138,147	11,667
TOTAL FEDERAL AWARDS			\$ 2,639,049	\$ 19,021	\$ 19,021	\$ 1,957,089	\$ 1,968,103	\$ 30,035

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, 2022**

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, 2022. 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.

The District does not qualify for low-risk auditee status. Management has utilized the NexSys, Cash Management System, and the Grant Auditor Report in preparing the Schedule of Expenditures of Federal Awards.

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. Reconciliation with Audited Financial Statements - Federal expenditures are reported as revenue in the following funds in the basic financial statements:

General Fund	\$1,535,671
Other nonmajor governmental fund	<u>520,515</u>
Total federal revenue in the fund financial statements	2,056,186
Less: Federal assistance funding not subject to single audit act	(99,750)
Add: Current year unavailable revenue not collected within 60 days	<u>11,667</u>
Expenditures per schedule of expenditures of federal awards	<u>\$1,968,103</u>



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

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Kendra K. Bednarski, CPA

## 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, 2022, 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 25, 2022.

### **REPORT ON 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 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 certain deficiencies in internal controls, described as 2022-001 and 2022-002, in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies.

### **REPORT ON 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which is described in the accompanying schedule of findings and questioned costs as items 2022-001 and 2022-002.

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**KINGSTON COMMUNITY SCHOOLS' RESPONSE TO FINDINGS**

*Government Auditing Standards* requires the auditor to perform limited procedures on the Kingston Community Schools' response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Kingston Community Schools' response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

**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 25, 2022



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

Certified Public Accountants

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## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR 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

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

We have audited Kingston Community Schools' compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Kingston Community Schools' major federal programs for the year ended June 30, 2022. 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.

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, 2022.

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

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

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

#### *Responsibilities of Management for Compliance*

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

## ***Auditor's Responsibilities for the Audit of Compliance***

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

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

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

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

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

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

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

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

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

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

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

October 25, 2022

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

**Section I – Summary of Auditor’s Results**

***Financial Statements***

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

*Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ 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:

**Assistance Listing Number(s)**

**Name of Federal Program or Cluster**

84.425

Education Stabilization Fund

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, 2022**

**Section II – Financial Statement Findings**

**Finding 2022-001 – Considered a significant deficiency in internal control over financial reporting and on compliance and other matters**

**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.

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

**Finding 2022-002 – Considered a significant deficiency in internal control over financial reporting and on compliance and other matters.**

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, 2022, the District's general fund final budget anticipated adding \$347,404 to the District's fund balance. The actual result was an increase of \$278,510 to fund balance. This difference created a total negative budget to actual variance in the general fund of \$68,894.

Cause:

The primary reason was not properly budgeting revenues and expenditures. In addition, there was a new accounting standard that caused capital outlay for leases to not be properly budgeted.

Recommendation:

The District should implement budgeting procedures to budget more conservatively for revenues and expenditures.

Client Response:

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

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

None



# KINGSTON COMMUNITY SCHOOLS

5790 State Street

Kingston, MI 48741

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

**KINGSTON COMMUNITY SCHOOLS  
CORRECTIVE ACTION PLAN  
YEAR ENDED JUNE 30, 2022**

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

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

**Audit Period:** Year ended June 30, 2022

**District responsible individual to implement this plan:** Shona Vennevy, Business Manager

The finding from the June 30, 2022 schedule of findings and questioned costs is discussed below. The finding is numbered consistently with the number assigned in the schedule.

**Finding – Financial statement finding**

**Finding 2022-001 – Considered a significant deficiency in internal control over financial reporting and on compliance and other matters.**

**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.

**Finding 2022-002 – Considered a significant deficiency in internal control over financial reporting and on compliance and other matters.**

**Recommendation:** The District should implement budgeting procedures to budget more conservatively for revenues and expenditures.

**Action to be taken:** The District concurs with the facts of this finding and is implementing procedures to ensure that all future budget procedures are prepared more conservatively.

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**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](http://www.kingstonk12.org)

**KINGSTON COMMUNITY SCHOOLS**  
**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**  
**YEAR ENDED JUNE 30, 2022**

**Finding 2021-001 & 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, 2022, this finding is an ongoing issue.

**KINGSTON COMMUNITY SCHOOLS**  
**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**  
**YEAR ENDED JUNE 30, 2022**

**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. As of the fiscal year ended June 30, 2022, this finding is an ongoing issue.



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

Certified Public Accountants

Thomas B. Doran, CPA  
Valerie J. Hartel, CPA

Jamie L. Peasley, CPA  
Angela M. Burnette, CPA

Chelsie M. Peruski, CPA

Kendra K. Bednarski, CPA

Board of Education  
Kingston Community Schools  
Kingston, Michigan

In planning and performing our audit of the financial statements of Kingston Community Schools as of and for the year ended June 30, 2022, in accordance with auditing standards generally accepted in the United States of America, we considered Kingston Community Schools' internal control over financial reporting (internal control) as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, during our audit, we noted certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated October 25, 2022 on the financial statements of Kingston Community Schools. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations. Our comments and recommendations are summarized as follows:

### Food Service Fund Balance

Per Michigan Department of Education (MDE) guidelines, school food authorities (SFA) must operate food services on a nonprofit basis. We noted that the food service fund balance exceeded the three months' operating expenditures allowed. MDE requires that the SFA spend down the excess by the end of the next school year. We recommend that the District develop a plan to spend down the excess by June 30, 2023 and submit the plan to MDE.

This information is intended solely for the use of management and others within 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.*

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

October 25, 2022



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

Certified Public Accountants

Thomas B. Doran, CPA  
Valerie J. Hartel, CPA

Jamie L. Peasley, CPA  
Angela M. Burnette, CPA

Chelsie M. Peruski, CPA

Kendra K. Bednarski, 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, 2022**. Professional standards require that we provide you with 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 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. As described in Note 13 to the financial statements, **Kingston Community Schools** implemented Governmental Accounting Standards Board No. 87, *Leases*. The application of existing policies did not change during the year. 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 have 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 of the payout of employee compensated absences upon their retirement is based on expected payout. 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 capital assets. We evaluated the key factors and assumptions used by management to develop the estimated life span of capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. We did not identify any sensitive disclosures.

The disclosures in the financial statements are neutral, consistent, and clear.

### Difficulties Encountered in Performing the Audit

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

715 East Frank Street • Caro, MI 48723  
989-673-3137 fax: 989-673-3375  
1-800-234-8829

2956 Main Street • Marlette, MI 48453  
989-635-7545 fax: 989-635-7547

6476 Main Street, Suite 1 • Cass City, MI 48726  
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[www.atbdcpa.com](http://www.atbdcpa.com)

email us at [cpa@atbdcpa.com](mailto:cpa@atbdcpa.com)

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 25, 2022.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditors' 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 inquires of management regarding the methods of preparing the information and comparing the information for consistent with management's responses to our inquiries, the basic financial statements, 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 the Additional Supplementary Information, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing this information to determine that the information complies with accounting principles general 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 additional supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of the 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 25, 2022