

KINGSTON COMMUNITY SCHOOLS
Kingston, Michigan

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

YEAR ENDED JUNE 30, 2023

TABLE OF CONTENTS

	<u>Page Number</u>
INDEPENDENT AUDITOR'S REPORT	1 - 3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4 - 9
BASIC FINANCIAL STATEMENTS	
<i>Government-wide Financial Statements</i>	
<i>Statement of Net Position</i>	10
<i>Statement of Activities</i>	11
<i>Fund Financial Statements</i>	
<i>Balance Sheet - Governmental Funds</i>	12
<i>Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position</i>	13
<i>Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds</i>	14
<i>Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities</i>	15
<i>Notes to Financial Statements</i>	16 - 39
REQUIRED SUPPLEMENTARY INFORMATION	
<i>Budgetary Comparison Schedule - General Fund</i>	40
<i>Schedule of the Reporting Unit's Proportionate Share of the Net Pension Liability</i>	41
<i>Schedule of the Reporting Unit's Pension Contributions</i>	42
<i>Schedule of the Reporting Unit's Proportionate Share of the Net OPEB Liability</i>	43
<i>Schedule of the Reporting Unit's OPEB Contributions</i>	44
<i>Notes to Required Supplementary Information</i>	45
ADDITIONAL SUPPLEMENTARY INFORMATION	
<i>Nonmajor Governmental Fund Types</i>	
<i>Combining Balance Sheet</i>	46
<i>Combining Statement of Revenues, Expenditures, and Changes in Fund Balances</i>	47
<i>Special Revenue Funds</i>	
<i>Combining Balance Sheet</i>	48
<i>Combining Statement of Revenues, Expenditures, and Changes in Fund Balances</i>	49

TABLE OF CONTENTS

	<u>Page Number</u>
<i>Nonmajor Debt Service Funds</i>	
<i>Combining Balance Sheet</i>	50
<i>Combining Statement of Revenues, Expenditures, and Changes in Fund Balances</i>	51
<i>Schedule of Bonded Debt:</i>	
<i>2012 Refunding Bonds</i>	52
<i>2018 Bonds</i>	53
<i>Schedule of Expenditures of Federal Awards</i>	54 & 55
<i>Notes to Schedule of Expenditures of Federal Awards</i>	56
<i>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</i>	57 & 58
<i>Independent auditor's report on compliance for each major program and on internal control over compliance required by the Uniform Guidance</i>	59 - 61
<i>Schedule of Findings and Questioned Costs</i>	62
<i>Schedule of Prior Year Audit Findings</i>	63 & 64



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

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Kingston Community Schools

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Kingston Community Schools, as of and for the year ended June 30, 2023, 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, the major fund, and the aggregate remaining fund information of Kingston Community Schools, as of June 30, 2023, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of 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 2023 the District adopted new accounting guidance, GASB Statement No. 96, *Subscription-based IT Arrangements*. 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*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional supplementary information, including the schedule of expenditures of federal awards, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2023, 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 20, 2023

Kingston Community Schools Management's Discussion and Analysis

Kingston Community School District, a K-12 school district located in Tuscola County, Michigan, has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Kingston Community School District administration's discussion and analysis of the financial results for the fiscal years ended June 30, 2023 and June 30, 2022.

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, 2023 and 2022:

Assets	6/30/2023	6/30/2022*
Current assets	\$ 3,076,190	\$ 3,607,795
Capital assets (net of depreciation)	10,036,228	9,355,250
Total assets	<u>13,112,418</u>	<u>12,963,045</u>
Deferred Outflows of Resources		
Related to other postemployment benefits	980,318	756,124
Related to pensions	3,835,093	1,777,844
Total deferred outflows of resources	<u>4,815,411</u>	<u>2,533,968</u>
Liabilities		
Current liabilities	688,711	745,214
Net pension liability	12,566,886	7,975,018
Net other postemployment benefit liability	688,330	527,648
Long-term liabilities	6,042,620	6,179,262
Total liabilities	<u>19,986,547</u>	<u>15,427,142</u>
Deferred Inflows of Resources		
Related to pensions	183,290	2,839,250
Related to other postemployment benefits	1,571,346	2,091,206
Related to state aid funding for pension	891,976	547,991
Deferred gain on bond refunding	23,640	28,616
Total deferred inflows of resources	<u>2,670,252</u>	<u>5,507,063</u>
Net Position		
Net investment in capital assets	4,007,036	3,180,127
Restricted for:		
Debt service	163,546	140,771
Food service	-	55,155
Woloshen	56,072	57,448
Unrestricted	(8,955,624)	(8,870,693)
Total net position	<u>\$ (4,728,970)</u>	<u>\$ (5,437,192)</u>

*The 2022 figures have not been updated for the adoption of GASB 96.

Analysis of Financial Position

During the fiscal year ended June 30, 2023, the District's net position increased by \$631,612. A few of the more significant factors affecting net position during the year are discussed below.

1. Net Pension Liability & Net OPEB Liability

Beginning June 30, 2015, GASB 68 requires school districts to estimate and record its portion of the employee's net pension liability. The District's net pension liability increased from \$7,975,018 at June 30, 2022 to the net pension liability of \$12,566,886 as of June 30, 2023. 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 increased from \$527,648 at June 30, 2022 to \$688,330 as of June 30, 2023. 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, 2023 and June 30, 2022, \$507,742 and \$430,323 were recorded for depreciation/amortization expense.

3. Capital Outlay Acquisitions

For the fiscal year ended June 30, 2023, \$1,112,110 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 \$604,368 for the fiscal year ended June 30, 2023.

Results of Operations

For the fiscal year ended June 30, 2023 and 2022, the results of operations, on a District-wide basis, were:

	Year Ended June 30, 2023		Year Ended June 30, 2022*	
	Amount	% of Total	Amount	% of Total
General Revenues				
Property Taxes	\$ 1,112,610	11.92%	\$ 1,043,746	11.06%
Investment earnings	16,445	0.18%	2,974	0.03%
State sources - unrestricted	4,342,229	46.53%	4,747,934	50.33%
Other	188,201	2.02%	193,066	2.05%
Total general revenues	5,659,485	60.65%	5,987,720	63.47%
Program Revenues				
Charges for services	178,778	1.91%	174,731	1.85%
Operating grants and contributions	3,493,946	37.44%	3,271,991	34.68%
Total revenues	9,332,209	100.00%	9,434,442	100.00%
Expenses				
Instruction	4,084,618	46.95%	3,472,947	45.48%
Support services	2,992,064	34.39%	2,679,266	35.08%
Community services	193,122	2.22%	142,740	1.87%
Food services	535,556	6.16%	438,653	5.74%
Interest on long-term debt	193,803	2.23%	205,247	2.69%
Capital outlay	8,022	0.09%	56,178	0.74%
Unallocated depreciation/amortization	507,742	5.84%	430,323	5.64%
Other	185,670	2.13%	211,178	2.77%
Total expenses	8,700,597	100.00%	7,636,532	100.00%
Change in net position	<u>\$ 631,612</u>		<u>\$ 1,797,910</u>	

*The 2022 figures have not been updated for the adoption of GASB 96.

Kingston Community Schools Management's Discussion and Analysis

Analysis of Significant Revenues and Expenses

Significant revenues and expenditures are discussed in the segments below:

1. Property Taxes

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

For the 2022-2023 fiscal year, the district levied \$555,529 non-homestead property taxes. This represented an increase of \$38,708 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
2022 - 2023	\$555,529	\$38,708
2021 - 2022	516,821	41,412
2020 - 2021	475,409	38,413
2019 - 2020	436,996	8,311
2018 - 2019	428,685	28,741

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 2022-2023 fiscal year, the District's foundation allowance was \$9,150 per student FTE, which was a \$450 increase from the amount received in the 2021-2022 fiscal year.

3. Student Enrollment

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

2022 – 2023	581
2021 -- 2022	614
2020 -- 2021	598
2019 -- 2020	584
2018 -- 2019	595

4. Operating Grants

The District funds a significant portion of its operations with categorical sources. For the fiscal year ended June 30, 2023, federal, state and other operating grants accounted for \$3,493,946. This represents an increase of \$221,955 over the total grant sources received for the 2021-2022 fiscal year.

Kingston Community Schools Management's Discussion and Analysis

5. Interest Earnings

The District received interest on its investments in the amount of \$16,445 for the fiscal year ended June 30, 2023. This represents an increase over the prior fiscal year of \$13,471.

General Fund Budgetary Highlights

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to its starting on July 1st. Any amendments made to the operating budget must be approved by the Board prior to the close of the fiscal year on June 30th.

For the 2022-2023 fiscal year, the district amended the general fund budget two times with the Board adopting the final changes in June 2023. 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>\$ 8,090,923</u>	<u>\$ 8,414,339</u>	<u>\$ 8,419,426</u>	<u>\$ 5,087</u>	<u>0.06%</u>
Expenditures					
Instruction	\$ 4,197,036	\$ 4,585,767	\$ 4,524,705	\$ 61,062	1.33%
Supporting services	3,586,492	3,816,057	4,239,225	(423,168)	-11.09%
Other	<u>288,650</u>	<u>452,264</u>	<u>452,843</u>	<u>(579)</u>	<u>-0.13%</u>
Total expenditures	<u>\$ 8,072,178</u>	<u>\$ 8,854,088</u>	<u>\$ 9,216,773</u>	<u>\$ (362,685)</u>	<u>-4.10%</u>
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ (114,503)</u>	<u>\$ 322,517</u>	<u>\$ 437,020</u>	<u>-381.67%</u>

Capital Asset and Debt Administration

Capital Assets

By the end of the 2022-2023 fiscal year, the district had invested \$20,162,018 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 \$1,112,110.

Depreciation/amortization expense for the year amounted to \$507,742, bringing the total accumulated depreciation/amortization to \$10,125,790 as of June 30, 2023.

Long-term Debt

At June 30, 2023, the District had \$6,042,620 in long-term debt outstanding. This represents a decrease of \$136,642 over the amount outstanding at the close of the prior fiscal year.

Kingston Community Schools

Management's Discussion and Analysis

Factors Bearing on the District's Future

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

- Student counts are vital to the funding of 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:

Shona Vennevy, 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, 2023

	GOVERNMENTAL ACTIVITIES
ASSETS	
Cash and cash equivalents	\$ 1,153,869
Investments	56,072
Accounts receivable	10,851
Intergovernmental receivables	1,855,398
Capital assets not being depreciated/amortized	28,200
Capital assets, net of accumulated depreciation/amortization	10,008,028
TOTAL ASSETS	13,112,418
DEFERRED OUTFLOWS OF RESOURCES	
Related to other postemployment benefits	980,318
Related to pensions	3,835,093
TOTAL DEFERRED OUTFLOWS OF RESOURCES	4,815,411
LIABILITIES	
Accounts payable	72,756
Accrued salaries and related items	334,092
Accrued retirement	237,201
Unearned revenue	10,743
Accrued interest payable	33,919
Noncurrent liabilities:	
Due within one year	489,688
Due in more than one year	5,552,932
Net other postemployment benefits liability	688,330
Net pension liability	12,566,886
TOTAL LIABILITIES	19,986,547
DEFERRED INFLOWS OF RESOURCES	
Related to pensions	183,290
Related to other postemployment benefit liabilities	1,571,346
Related to state aid funding for pension	891,976
Deferred gain on bond refunding, net of amortization	23,640
TOTAL DEFERRED INFLOWS OF RESOURCES	2,670,252
NET POSITION	
Net investment in capital assets	4,007,036
Restricted for debt service	163,546
Restricted for special revenue (Woloshen)	56,072
Unrestricted	(8,955,624)
TOTAL NET POSITION	\$ (4,728,970)

See notes to financial statements.

KINGSTON COMMUNITY SCHOOLS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Governmental Activities</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
Governmental activities:				
Instruction	\$ 4,084,618	\$ 99,327	\$ 1,977,644	\$ (2,007,647)
Support services	2,992,064	69,308	847,562	(2,075,194)
Community services	193,122	-		(193,122)
Food service	535,556	10,143	490,629	(34,784)
Public library	21,374		-	(21,374)
Woloshen	3,221			(3,221)
Student/school activities	160,500		178,111	17,611
Interest on long-term debt	193,803			(193,803)
Capital outlay	8,022			(8,022)
Other	575			(575)
Unallocated depreciation/amortization	507,742			(507,742)
Total governmental activities	<u>\$ 8,700,597</u>	<u>\$ 178,778</u>	<u>\$ 3,493,946</u>	<u>(5,027,873)</u>
General revenues:				
Property taxes, levied for general purposes				559,419
Property taxes, levied for debt service				553,191
State sources - unrestricted				4,342,229
Investment earnings				16,445
Penal fines				22,713
Other				165,488
Total general revenues				<u>5,659,485</u>
Change in net position				631,612
Net position, beginning of year, as restated				<u>(5,360,582)</u>
Net position, end of year				<u>\$ (4,728,970)</u>

See notes to financial statements.

KINGSTON COMMUNITY SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2023

	GENERAL FUND	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>ASSETS</u>			
Cash and cash equivalents	\$ 570,534	\$ 583,335	\$ 1,153,869
Investments		56,072	56,072
Accounts receivable	4,605	6,246	10,851
Due from other funds	23,184	-	23,184
Intergovernmental receivables	1,841,130	14,268	1,855,398
TOTAL ASSETS	\$ 2,439,453	\$ 659,921	\$ 3,099,374
 <u>LIABILITIES & FUND BALANCES</u>			
LIABILITIES:			
Accounts payable	\$ 72,693	\$ 63	\$ 72,756
Accrued salaries and related items	334,092	-	334,092
Accrued retirement	237,201	-	237,201
Unearned revenue	10,743		10,743
Due to other funds	-	23,184	23,184
TOTAL LIABILITIES	654,729	23,247	677,976
 FUND BALANCES:			
Restricted for:			
Debt service		197,465	197,465
Food service		101,720	101,720
Public library		8,304	8,304
Woloshen		56,072	56,072
Committed for:			
Capital projects		153,630	153,630
Student/school activities		119,483	119,483
Assigned for:			
Compensated absences	37,068		37,068
Unassigned	1,747,656		1,747,656
TOTAL FUND BALANCES	1,784,724	636,674	2,421,398
TOTAL LIABILITIES & FUND BALANCES	\$ 2,439,453	\$ 659,921	\$ 3,099,374

See notes to financial statements.

KINGSTON COMMUNITY SCHOOLS
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2023

Total Governmental Fund Balances \$ 2,421,398

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

Deferred outflows of resources - related to pensions	3,835,093
Deferred outflows of resources - related to other postemployment benefits	980,318
Deferred inflows of resources - related to pensions	(183,290)
Deferred inflows of resources - related to other postemployment benefits	(1,571,346)
Deferred inflows of resources - related to state aid funding for pension	(891,976)
Deferred inflows of resources - gain on refunding, net of amortization	(23,640)

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

The cost of the capital assets is:	20,162,018
Accumulated depreciation/amortization is:	(10,125,790)

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

Long-term debt obligations	(5,645,095)
Notes from direct borrowing and direct placement	(360,457)
Compensated absences	(37,068)
Accrued interest is not reported as a liability in governmental funds; it is recorded when paid	(33,919)
Net other postemployment benefit liability	(688,330)
Net pension liability	<u>(12,566,886)</u>

Net Position of Governmental Activities **\$ (4,728,970)**

See notes to financial statements.

KINGSTON COMMUNITY SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2023

	<u>GENERAL FUND</u>	<u>OTHER NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
REVENUES:			
Local sources			
Property taxes	\$ 559,419	\$ 553,191	\$ 1,112,610
Charges for services	168,634	10,143	178,777
Investment earnings	13,556	2,889	16,445
Student/school activities income		178,111	178,111
Other	160,805	27,396	188,201
State sources	6,469,304	45,358	6,514,662
Federal sources	1,047,708	451,347	1,499,055
TOTAL REVENUES	<u>8,419,426</u>	<u>1,268,435</u>	<u>9,687,861</u>
EXPENDITURES:			
Instruction	4,524,705		4,524,705
Supporting services	4,239,225		4,239,225
Community services	207,216		207,216
Food service		563,744	563,744
Public library		28,422	28,422
Woloshen		3,221	3,221
Student/school activities		160,500	160,500
Capital outlay		83,954	83,954
Debt services:			
Principal payments	242,554	320,000	562,554
Interest	3,073	214,113	217,186
Fees		575	575
TOTAL EXPENDITURES	<u>9,216,773</u>	<u>1,374,529</u>	<u>10,591,302</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(797,347)</u>	<u>(106,094)</u>	<u>(903,441)</u>
OTHER FINANCING SOURCES (USES):			
Proceeds from leases	437,020		437,020
Transfers out	(114,503)	-	(114,503)
Transfers in	-	114,503	114,503
TOTAL OTHER FINANCING SOURCES (USES)	<u>322,517</u>	<u>114,503</u>	<u>437,020</u>
NET CHANGE IN FUND BALANCES	(474,830)	8,409	(466,421)
FUND BALANCES - BEGINNING OF YEAR	<u>2,259,554</u>	<u>628,265</u>	<u>2,887,819</u>
FUND BALANCES - END OF YEAR	<u>\$ 1,784,724</u>	<u>\$ 636,674</u>	<u>\$ 2,421,398</u>

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, 2023

Net change in fund balances of total governmental funds \$(466,421)

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	(507,742)
Capital outlay	1,112,110

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 is the treatment of long-term debt and related items and are as follows:

Payments on debt	562,554
Proceeds from leases	(437,020)
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	36,905
Accrued interest payable at the end of the year	(33,919)

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 compensated absences at the beginning of the year	32,755
Accrued compensated absences at the end of the year	(37,068)

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	(11,667)
Unavailable revenue - federal grants at the end of year	-

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 benefits related items	583,372
Pension related items	121,341

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	<u>(343,985)</u>
---	------------------

Change in net position of governmental activities \$ 631,612

KINGSTON COMMUNITY SCHOOLS
Notes to Financial Statements
Year Ended June 30, 2023

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.

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.

KINGSTON COMMUNITY SCHOOLS
Notes to Financial Statements
Year Ended June 30, 2023

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.

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.

KINGSTON COMMUNITY SCHOOLS
Notes to Financial Statements
Year Ended June 30, 2023

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 measureable and available only when cash is received by the District.

BUDGETARY INFORMATION:

Budgetary basis of accounting:

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and special revenue funds. 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.

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 are noted in the required supplementary information section.
4. Transfers may be made for budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. The budget was amended during the year with supplemental appropriations, the last one approved prior to the year ended June 30th. The District does not consider these amendments to be significant.

KINGSTON COMMUNITY SCHOOLS
Notes to Financial Statements
Year Ended June 30, 2023

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.

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.

KINGSTON COMMUNITY SCHOOLS
Notes to Financial Statements
Year Ended June 30, 2023

4. Capital assets

Capital assets, which include property, equipment, right to use – leased equipment, right to use – subscription-based IT arrangements, 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/subscription 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
Right to use – subscription-based IT	2 – 6 years

5. Defined benefit plans

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

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, 2023

Deferred inflows

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has four items that qualifies for reporting in this category. One is the deferred gain on bond refunding reported in the government-wide statement of net position. A deferred gain on bond refunding results from the unamortized difference between the carrying amount of redeemed or defeased debt and its reacquisition price. Another is restricted section 147c state aid deferred to offset deferred outflows related to section 147c pension benefit contributions subsequent to the measurement period. The third and fourth items are future resources yet to be recognized in relation to the pension and other postemployment benefit actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the pension and other postemployment benefit liability and the actual results. The amounts are amortized over a period determined by the actuary. These amounts are deferred and recognized as inflows 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, 2023

10. Leases and Subscription-based IT Arrangements (SBITA)

Lessee: The District is a lessee for a non-cancelable lease/subscription of equipment and IT arrangements. The District recognizes a lease/SBITA liability and an intangible right-to-use lease/SBITA asset in the government-wide financial statements.

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

Key estimates and judgements related to lease/SBITA include how the District determines (1) the discount rate it uses to discount the expected lease/SBITA payments to present value, (2) lease/SBITA term, and (3) lease/SBITA 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/SBITA.
- The lease/SBITA term includes the non-cancelable period of the lease/subscription. Lease/SBITA payments included in the measurement of the lease/SBITA 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 re-measurement of its lease/SBITA and will re-measure the lease/SBITA asset and liability if certain changes occur that are expected to significantly affect the amount of the lease/SBITA liability.

Lease/SBITA assets are reported with other capital assets and lease/SBITA 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.

KINGSTON COMMUNITY SCHOOLS
Notes to Financial Statements
Year Ended June 30, 2023

For the year ended June 30, 2023, 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	5.00

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, 2023

NOTE 2 – DEPOSITS AND INVESTMENTS:

At June 30, 2023, the District had deposits and investments subject to the following risks:

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2023, none of the District's bank balance of \$1,320,480 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 \$1,153,869.

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	\$ 56,072	Aaa/AA+	Standard & Poor's
Total fair value	<u>\$ 56,072</u>		

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

KINGSTON COMMUNITY SCHOOLS
Notes to Financial Statements
Year Ended June 30, 2023

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, 2023:

	Primary Government
Cash and cash equivalents	\$ 1,153,869
Investments	56,072
	\$ 1,209,941

KINGSTON COMMUNITY SCHOOLS
Notes to Financial Statements
Year Ended June 30, 2023

NOTE 3 – INTERGOVERNMENTAL RECEIVABLES:

Intergovernmental receivables at June 30, 2023 consist of the following:

State Aid - State of Michigan	\$ 1,172,980
Federal	675,460
Other	6,958
	682,400
Total	\$ 1,855,398

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:

	AS RESTATED			
	BALANCE	ADDITIONS/	DELETIONS/	BALANCE
	July 1, 2022	RECLASS	RECLASS	June 30, 2023
Governmental activities:				
Capital assets, not being depreciated/amortized:				
Land	\$ 28,200	\$ -	\$ -	\$ 28,200
Total capital assets, not being depreciated/amortized	28,200	-	-	28,200
Capital assets being depreciated/amortized:				
Building and Improvements	16,572,188	552,132		17,124,320
Furniture and equipment	2,115,013	100,574		2,215,587
Right to use - leased equipment	257,897	437,020		694,917
Right to use - subscription-based IT	76,610	22,384		98,994
Subtotal	19,021,708	1,112,110	-	20,133,818
Accumulated depreciation/amortization:				
Building and Improvements	(7,798,472)	(310,694)		(8,109,166)
Furniture and equipment	(1,727,663)	(67,660)		(1,795,323)
Right to use - leased equipment	(91,913)	(106,002)		(197,915)
Right to use - subscription-based IT	-	(23,386)		(23,386)
Subtotal	(9,618,048)	(507,742)	-	(10,125,790)
Capital assets being depreciated/amortized	9,403,660	604,368	-	10,008,028
Total governmental capital assets	\$ 9,431,860	\$ 604,368	\$ -	\$ 10,036,228

Depreciation/amortization for the fiscal year ended June 30, 2023 amounted to \$507,742 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.

KINGSTON COMMUNITY SCHOOLS
Notes to Financial Statements
Year Ended June 30, 2023

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, 2023:

	General obligation bonds	Notes from direct borrowings and direct placements	Compensated absences	Total
Balance July 1, 2022	\$ 5,980,516	\$ 165,991	\$ 32,755	\$ 6,179,262
Additions		437,020	4,313	441,333
Deletions	(335,421)	(242,554)		(577,975)
Balance June 30, 2023	5,645,095	360,457	37,068	6,042,620
Due within one year	(325,000)	(164,688)	-	(489,688)
Due in more than one year	<u>\$ 5,320,095</u>	<u>\$ 195,769</u>	<u>\$ 37,068</u>	<u>\$ 5,552,932</u>

Long-term obligations at June 30, 2023 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%.	\$ 1,195,000
2018 school building and site bonds due in annual installments of \$60,000 to \$485,000 through May 1, 2037 with interest at 2.00% to 4.00%.	4,260,000
Plus: premium on bond issuance, net	217,757
Less: discount on bond issuances, net	(27,662)
Total general obligation bonds	<u>5,645,095</u>

Notes from direct borrowings and direct placements:

Bus lease due in annual installments of \$150,000 through June 2025, with an implied interest rate of 3%.	287,020
Copier lease due in monthly installments of \$1,913 through July 2026, with an implied interest rate of 2.1%.	68,486
Postage machine lease due in monthly installments of \$138 through July 2026, with an implied interest rate of 2.1%.	4,951
Total notes from direct borrowings and direct placements	<u>360,457</u>
Total general obligation bonds and notes from direct borrowings and direct placements	<u>6,005,552</u>
Compensated absences	<u>37,068</u>
Total long-term debt	<u>\$ 6,042,620</u>

KINGSTON COMMUNITY SCHOOLS
Notes to Financial Statements
Year Ended June 30, 2023

The District's outstanding notes from direct borrowings and direct placements related to governmental activities of \$360,457 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, 2023, \$197,465 is available in the debt service funds to service the general obligation debt.

Interest expense (all funds) for the year ended June 30, 2023 was approximately \$217,186.

The annual requirements to amortize the long-term obligations as of June 30, 2023 are as follows:

Year ending June 30,	General obligation bonds		Notes from direct borrowings and direct placements		Compensated absences	Total
	Principal	Interest	Principal	Interest		
2024	\$ 325,000	\$ 203,513	\$ 164,688	\$ 9,930	\$ -	\$ 703,131
2025	335,000	193,762	169,424	5,194		703,380
2026	345,000	183,713	24,297	321		553,331
2027	355,000	173,362	2,048	3		530,413
2028	370,000	161,614				531,614
2029-2033	1,900,000	599,000				2,499,000
2034-2037	1,825,000	186,200				2,011,200
	<u>5,455,000</u>	<u>1,701,164</u>	<u>360,457</u>	<u>15,448</u>	<u>-</u>	<u>7,532,069</u>
Premium on bonds	217,757					217,757
Discount on bonds	(27,662)					(27,662)
Compensated absences					<u>37,068</u>	<u>37,068</u>
Total long-term debt	<u>\$ 5,645,095</u>	<u>\$ 1,701,164</u>	<u>\$ 360,457</u>	<u>\$ 15,448</u>	<u>\$ 37,068</u>	<u>\$ 7,759,232</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, 2023, \$1,295,000 of bonds outstanding are considered defeased.

KINGSTON COMMUNITY SCHOOLS
Notes to Financial Statements
Year Ended June 30, 2023

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.

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 the 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.

KINGSTON COMMUNITY SCHOOLS
Notes to Financial Statements
Year Ended June 30, 2023

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.

KINGSTON COMMUNITY SCHOOLS
Notes to Financial Statements
Year Ended June 30, 2023

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.

KINGSTON COMMUNITY SCHOOLS
Notes to Financial Statements
Year Ended June 30, 2023

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, 2022 were determined as of the September 30, 2019 actuarial valuations. The pension and OPEB benefits, the unfunded (overfunded) actuarial accrued liabilities as of September 30, 2019 are amortized over a 17-year period beginning October 1, 2021 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, 2021 - September 30, 2022	13.73% - 20.14%	7.23% - 8.09%
October 1, 2022 - September 30, 2023	13.75% - 20.16%	7.21% - 8.07%

The District's pension contributions for the year ended June 30, 2023 were equal to the required contribution total. Total pension contributions were approximately \$1,605,000. Of the total pension contributions approximately \$1,546,000 was contributed to fund the Defined Benefit Plan and approximately \$59,000 was contributed to fund the Defined Contribution Plan.

The District's OPEB contributions for the year ended June 30, 2023 were equal to the required contribution total. Total OPEB contributions were approximately \$290,000. Of the total OPEB contributions approximately \$266,000 was contributed to fund the Defined Benefit Plan and approximately \$24,000 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, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2021 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.

KINGSTON COMMUNITY SCHOOLS
Notes to Financial Statements
Year Ended June 30, 2023

<u>MPERS (Plan) Non-university employers:</u>	<u>September 30, 2022</u>	<u>September 30, 2021</u>
Total Pension Liability	\$ 95,876,795,620	\$ 86,392,473,395
Plan Fiduciary Net Position	\$ 58,268,076,344	\$ 62,717,060,920
Net Pension Liability	\$ 37,608,719,276	\$ 23,675,412,475
Proportionate Share	0.03341%	0.03368%
Net Pension Liability for the District	\$ 12,566,886	\$ 7,975,018

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

For the year ended June 30, 2023, the District recognized pension expense of \$1,407,526.

At June 30, 2023, 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	\$ 2,159,441	
Net difference between projected and actual plan investment earnings	29,469	
Differences between expected and actual experience	125,713	\$ (28,098)
Changes in proportion and differences between employer contributions and proportionate share of contributions	60,352	(155,192)
District's contributions subsequent to the measurement date	1,460,118	
	<u>\$ 3,835,093</u>	<u>\$ (183,290)</u>

\$1,460,118, 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>
2023	\$ 595,364
2024	472,568
2025	409,064
2026	714,689

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, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation date of September 30, 2021 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
Notes to Financial Statements
Year Ended June 30, 2023

<u>MPSERS (Plan) Non-university employers:</u>	<u>September 30, 2022</u>	<u>September 30, 2021</u>
Total other postemployment benefit liability	\$ 12,522,713,324	\$ 12,046,393,511
Plan fiduciary net position	\$ 10,404,650,683	\$ 10,520,015,621
Net other postemployment benefit liability	\$ 2,118,062,641	\$ 1,526,377,890
Proportionate share	0.03250%	0.03457%
Net other postemployment benefit liability for the District	\$ 688,330	\$ 527,648

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

For the year ended June 30, 2023, the District recognized OPEB benefit of \$317,815.

At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred (Inflows) of Resources</u>
Changes of assumptions	\$ 613,531	\$ (49,957)
Changes in proportion and differences between employer contributions and proportionate share of contributions	82,620	(173,214)
Difference between expected and actual experience		(1,348,175)
Net difference between projected and actual earnings on OPEB plan investments	53,798	
Reporting Unit contributions subsequent to the measurement date	230,369	
Total	<u>\$ 980,318</u>	<u>\$ (1,571,346)</u>

\$230,369, 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>
2023	\$ (295,856)
2024	(247,040)
2025	(225,332)
2026	(18,868)
2027	(29,988)
2028	(4,313)

KINGSTON COMMUNITY SCHOOLS
Notes to Financial Statements
Year Ended June 30, 2023

Actuarial Assumptions

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

Investment rate of return for OPEB – 6.00% a year, compounded annually net of investment and administrative expenses.

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

Inflation – 3.0%.

Mortality assumptions –

Retirees: 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, 2021. 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 6.00% (MIP, Basic, Pension Plus Plan and Pension Plus 2 Plan), and the other postemployment benefit rate was 6.00%, net of investment and administrative expenses 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, 2023

The target asset allocation at September 30, 2022 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%	5.1%
International equity pools	15.0%	6.7%
Private equity pools	16.0%	8.7%
Real estate and infrastructure pools	10.0%	5.3%
Fixed income pools	13.0%	-0.2%
Absolute return pools	9.0%	2.7%
Real return/opportunistic pools	10.0%	5.8%
Short term investment pools	2.0%	-0.5%
	100.0%	

*Long term rate of return is net of administrative expenses and 2.2% inflation.

Rate of return – For fiscal year ended September 30, 2022, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was (4.18)% and (4.99)% respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Pension Discount rate – A single discount rate of 6.00% was used to measure the total pension liability. This discount rate was based on the expected rate of return on pension plan investments of 6.00%. The projection of cash flows used to determine this single discount rate assumed that plan 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 6.00% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 6.00%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that school districts contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan's fiduciary net position was 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 6.00%, 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	\$ 16,583,621	\$ 12,566,886	\$ 9,256,915

KINGSTON COMMUNITY SCHOOLS
Notes to Financial Statements
Year Ended June 30, 2023

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 6.00%, 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	\$ 1,154,608	\$ 688,330	\$ 295,667

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	\$ 288,240	\$ 688,330	\$ 1,137,439

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 2022 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, 2023:

Receivable Fund	Payable Fund	
	Nonmajor Funds	Total
General Fund	\$ 23,184	\$ 23,184
Total	\$ 23,184	\$ 23,184

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

KINGSTON COMMUNITY SCHOOLS
Notes to Financial Statements
Year Ended June 30, 2023

NOTE 8 - RISK MANAGEMENT:

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

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

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

NOTE 9 – COMMITMENTS AND CONTINGENCIES:

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

NOTE 10 – TRANSFERS:

The transfers between funds for the fiscal year ended June 30, 2023 were as follows:

	TRANSFERS IN	TRANSFERS OUT
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, 2023

NOTE 12 – UPCOMING ACCOUNTING PRONOUNCEMENTS:

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62*. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2023-2024 fiscal year.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2024-2025 fiscal year.

NOTE 13 - CHANGE IN ACCOUNTING PRINCIPLE:

For the year ended June 30, 2023, the District implemented the following new pronouncement: GASB Statement No. 96, *Subscription-based Information Technology Arrangements*.

Summary:

Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-based Information Technology Arrangements* was issued in May 2020. 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 change for capital assets and net position is as follows:

	Capital Assets	Net Position
Balances as of July 1, 2022, as previously stated	\$ 9,355,250	\$ (5,437,192)
Adoption of GASB Statement 96	76,610	76,610
Balances as of July 1, 2022, as restated	\$ 9,431,860	\$ (5,360,582)

REQUIRED SUPPLEMENTARY INFORMATION

KINGSTON COMMUNITY SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2023

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET</u>
REVENUES:				
Local sources				
Property taxes	\$ 554,814	\$ 554,814	\$ 559,419	\$ 4,605
Charges for services	166,739	166,739	168,634	1,895
Investment earnings	12,500	12,500	13,556	1,056
Other	379,960	144,916	160,805	15,889
State sources	6,788,695	6,339,128	6,469,304	130,176
Federal sources	188,215	1,196,242	1,047,708	(148,534)
TOTAL REVENUES	<u>8,090,923</u>	<u>8,414,339</u>	<u>8,419,426</u>	<u>5,087</u>
EXPENDITURES:				
Instruction				
Basic programs	3,503,586	3,784,425	3,692,196	92,229
Added needs	693,450	801,342	832,509	(31,167)
Total instruction	<u>4,197,036</u>	<u>4,585,767</u>	<u>4,524,705</u>	<u>61,062</u>
Supporting services				
Pupil services	293,373	327,123	305,937	21,186
Staff services	193,285	165,000	161,231	3,769
General administration	305,040	323,233	323,881	(648)
School administration	471,567	494,827	495,619	(792)
Business services	171,980	172,741	173,029	(288)
Operations and maintenance	1,466,971	1,579,558	1,582,801	(3,243)
Pupil transportation	366,913	353,427	792,667	(439,240)
Central services	146,421	199,650	200,852	(1,202)
Athletic activities	170,942	200,498	203,208	(2,710)
Total supporting services	<u>3,586,492</u>	<u>3,816,057</u>	<u>4,239,225</u>	<u>(423,168)</u>
Community services				
Cardinal center	129,147	198,238	198,549	(311)
Drivers education	-	8,667	8,667	-
Total community services	<u>129,147</u>	<u>206,905</u>	<u>207,216</u>	<u>(311)</u>
Debt service				
Principal repayment	159,503	245,359	242,554	2,805
Interest expense	-	-	3,073	(3,073)
Total debt service	<u>159,503</u>	<u>245,359</u>	<u>245,627</u>	<u>(268)</u>
TOTAL EXPENDITURES	<u>8,072,178</u>	<u>8,854,088</u>	<u>9,216,773</u>	<u>(362,685)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>18,745</u>	<u>(439,749)</u>	<u>(797,347)</u>	<u>(357,598)</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from leases	-	-	437,020	437,020
Transfers out	-	(114,503)	(114,503)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>(114,503)</u>	<u>322,517</u>	<u>437,020</u>
NET CHANGE IN FUND BALANCES	<u>\$ 18,745</u>	<u>\$ (554,252)</u>	<u>(474,830)</u>	<u>\$ 79,422</u>
FUND BALANCE - BEGINNING OF YEAR			<u>2,259,554</u>	
FUND BALANCE - END OF YEAR			<u>\$ 1,784,724</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>2022</u>	<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 (%)	0.03341%	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	\$ 12,566,886	\$ 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	\$ 3,158,126	\$ 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	397.92%	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)	60.77%	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>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contributions	\$ 1,546,262	\$ 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>1,546,262</u>	<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>	<u>\$ -</u>
Reporting unit's covered- employee payroll	\$ 3,505,379	\$ 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	44.11%	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>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Reporting unit's proportion of net OPEB liability (%)	0.03250%	0.03457%	0.03306%	0.03409%	0.03396%	0.03594%
Reporting unit's proportionate share of net OPEB liability	\$ 688,330	\$ 527,648	\$ 1,770,992	\$ 2,446,723	\$ 2,699,155	\$ 3,182,950
Reporting unit's covered-employee payroll	\$ 3,158,126	\$ 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	21.80%	16.79%	60.47%	84.88%	93.39%	105.79%
Plan fiduciary net position as a percentage of total OPEB liability (Non-university employers)	83.09%	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>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contributions	\$ 265,709	\$ 247,755	\$ 244,885	\$ 231,307	\$ 227,184	\$ 228,323
Contributions in relation to statutorily required contributions	<u>265,709</u>	<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>	<u>\$ -</u>
Reporting unit's covered-employee payroll	\$3,505,379	\$3,185,161	\$3,068,523	\$2,957,847	\$2,843,199	\$2,910,769
Contributions as a percentage of covered-employee payroll	7.58%	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, 2023

Note 1 - Pension Information

Benefit changes - there were no changes of benefit terms in 2022.

Changes of assumptions - the assumption changes for 2022 were:

Discount rate for MIP, Basic, and Pension Plus plans decreased to 6.00% from 6.80%.

Note 2 - OPEB Information

Benefit changes - there were no changes of benefit terms in 2022.

Changes of assumptions - the assumption changes for 2022 were:

Discount rate decreased to 6.00% from 6.95%.

ADDITIONAL SUPPLEMENTARY INFORMATION

KINGSTON COMMUNITY SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES
JUNE 30, 2023

	SPECIAL REVENUE FUNDS	DEBT SERVICE FUNDS	NON-BOND CAPITAL PROJECTS	TOTAL NONMAJOR FUNDS
<u>ASSETS</u>				
Cash and equivalents	\$ 236,217	\$ 193,488	\$ 153,630	\$ 583,335
Investments	56,072			56,072
Accounts receivable	2,269	3,977		6,246
Due from other governmental units	14,268			14,268
	\$ 308,826	\$ 197,465	\$ 153,630	\$ 659,921
 <u>LIABILITIES AND FUND BALANCES</u>				
Accounts payable	\$ 63	\$ -	\$ -	\$ 63
Due to other funds	23,184	-	-	23,184
	23,247	-	-	23,247
 <u>FUND BALANCES</u>				
Restricted for:				
Debt service		197,465		197,465
Food service	101,720			101,720
Public library	8,304			8,304
Woloshen	56,072			56,072
Committed for:				
Capital projects			153,630	153,630
Student/school activities	119,483			119,483
	285,579	197,465	153,630	636,674
TOTAL FUND BALANCES	285,579	197,465	153,630	636,674
TOTAL LIABILITIES AND FUND BALANCES	\$ 308,826	\$ 197,465	\$ 153,630	\$ 659,921

KINGSTON COMMUNITY SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUND TYPES
YEAR ENDED JUNE 30, 2023

	<u>SPECIAL REVENUE FUNDS</u>	<u>DEBT SERVICE FUNDS</u>	<u>NON-BOND CAPITAL PROJECTS</u>	<u>TOTAL NONMAJOR FUNDS</u>
REVENUES:				
Local sources				
Property taxes	\$ -	\$ 553,191	\$ -	\$ 553,191
Charges for services	10,143			10,143
Investment earnings	765	1,286	838	2,889
Student/school activities income	178,111			178,111
Other	27,396			27,396
State sources	45,358			45,358
Federal sources	451,347			451,347
	<u>713,120</u>	<u>554,477</u>	<u>838</u>	<u>1,268,435</u>
TOTAL REVENUES				
EXPENDITURES:				
Salaries and wages	185,471			185,471
Employee benefits	110,111			110,111
Purchased services	21,503			21,503
Food service	265,522			265,522
Supplies	9,306			9,306
Capital outlay	8,022		75,932	83,954
Miscellaneous	3,474			3,474
Student/school activities	160,500			160,500
Debt service:				
Principal payments		320,000		320,000
Interest		214,113		214,113
Fees		575		575
	<u>763,909</u>	<u>534,688</u>	<u>75,932</u>	<u>1,374,529</u>
TOTAL EXPENDITURES				
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(50,789)</u>	<u>19,789</u>	<u>(75,094)</u>	<u>(106,094)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	<u>-</u>	<u>-</u>	<u>114,503</u>	<u>114,503</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>114,503</u>	<u>114,503</u>
NET CHANGE IN FUND BALANCES	(50,789)	19,789	39,409	8,409
FUND BALANCES BEGINNING OF YEAR	<u>336,368</u>	<u>177,676</u>	<u>114,221</u>	<u>628,265</u>
FUND BALANCES END OF YEAR	<u>\$ 285,579</u>	<u>\$ 197,465</u>	<u>\$ 153,630</u>	<u>\$ 636,674</u>

KINGSTON COMMUNITY SCHOOLS
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS
JUNE 30, 2023

	FOOD SERVICE	PUBLIC LIBRARY FUND	WOLOSHEN	STUDENT/ SCHOOL ACTIVITIES	TOTAL SPECIAL REVENUE FUNDS
<u>ASSETS</u>					
Cash and cash equivalents	\$ 87,452	\$ 28,717	\$ -	\$ 120,048	\$ 236,217
Investments	-	-	56,072		56,072
Accounts receivable	-	2,269			2,269
Due from other governmental units	14,268	-	-	-	14,268
	\$ 101,720	\$ 30,986	\$ 56,072	\$ 120,048	\$ 308,826
 <u>LIABILITIES & FUND BALANCES</u>					
LIABILITIES:					
Accounts payable	\$ -	\$ 63	\$ -	\$ -	\$ 63
Due to other funds	-	22,619	-	565	23,184
	-	22,682	-	565	23,247
 FUND BALANCES:					
Restricted for:					
Food service	101,720				101,720
Public library		8,304			8,304
Woloshen			56,072		56,072
Committed for:					
Student/school activities				119,483	119,483
	101,720	8,304	56,072	119,483	285,579
TOTAL FUND BALANCES	101,720	8,304	56,072	119,483	285,579
TOTAL LIABILITIES & FUND BALANCES	\$ 101,720	\$ 30,986	\$ 56,072	\$ 120,048	\$ 308,826

KINGSTON COMMUNITY SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2023

	<u>FOOD SERVICE</u>	<u>PUBLIC LIBRARY FUND</u>	<u>WOLOSHEN</u>	<u>STUDENT/ SCHOOL ACTIVITIES</u>	<u>TOTAL SPECIAL REVENUE FUNDS</u>
REVENUES:					
Local sources:					
Charges for services	\$ 10,143	\$ -	\$ -	\$ -	\$ 10,143
Investment earnings				765	765
Student/school activities income				178,111	178,111
Other	2,838	22,713	1,845		27,396
State sources	39,282	6,076			45,358
Federal sources	451,347	-			451,347
TOTAL REVENUES	<u>503,610</u>	<u>28,789</u>	<u>1,845</u>	<u>178,876</u>	<u>713,120</u>
EXPENDITURES:					
Salaries and wages	171,795	13,676			185,471
Employee benefits	102,691	7,420			110,111
Purchased services	20,262	883	358		21,503
Food service	265,522				265,522
Supplies		6,443	2,863		9,306
Capital outlay	7,772	250			8,022
Miscellaneous	3,474	-			3,474
Student/school activities				160,500	160,500
TOTAL EXPENDITURES	<u>571,516</u>	<u>28,672</u>	<u>3,221</u>	<u>160,500</u>	<u>763,909</u>
NET CHANGE IN FUND BALANCES	(67,906)	117	(1,376)	18,376	(50,789)
FUND BALANCES BEGINNING OF YEAR	<u>169,626</u>	<u>8,187</u>	<u>57,448</u>	<u>101,107</u>	<u>336,368</u>
FUND BALANCES END OF YEAR	<u>\$ 101,720</u>	<u>\$ 8,304</u>	<u>\$ 56,072</u>	<u>\$ 119,483</u>	<u>\$ 285,579</u>

KINGSTON COMMUNITY SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
JUNE 30, 2023

	<u>2018 DEBT</u>	<u>2012 REFUNDING DEBT</u>	<u>TOTAL DEBT SERVICE</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 101,570	\$ 91,918	\$ 193,488
Accounts receivable	1,909	2,068	3,977
TOTAL ASSETS	<u>\$ 103,479</u>	<u>\$ 93,986</u>	<u>\$ 197,465</u>
<u>LIABILITIES & FUND BALANCES</u>			
LIABILITIES:			
Accounts payable	\$ -	\$ -	\$ -
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES:			
Restricted for debt service	103,479	93,986	197,465
TOTAL FUND BALANCES	<u>103,479</u>	<u>93,986</u>	<u>197,465</u>
TOTAL LIABILITIES & FUND BALANCES	<u>\$ 103,479</u>	<u>\$ 93,986</u>	<u>\$ 197,465</u>

KINGSTON COMMUNITY SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR DEBT SERVICE FUNDS
YEAR ENDED JUNE 30, 2023

	<u>2018 DEBT</u>	<u>2012 REFUNDING DEBT</u>	<u>TOTAL DEBT SERVICE</u>
REVENUES:			
Local sources:			
Property taxes	\$ 265,532	\$ 287,659	\$ 553,191
Investment earnings	697	589	1,286
	<u>266,229</u>	<u>288,248</u>	<u>554,477</u>
TOTAL REVENUES			
EXPENDITURES:			
Principal payments	100,000	220,000	320,000
Interest	171,350	42,763	214,113
Fees	375	200	575
	<u>271,725</u>	<u>262,963</u>	<u>534,688</u>
TOTAL EXPENDITURES			
NET CHANGE IN FUND BALANCES	(5,496)	25,285	19,789
FUND BALANCES BEGINNING OF YEAR	<u>108,975</u>	<u>68,701</u>	<u>177,676</u>
FUND BALANCES END OF YEAR	<u>\$ 103,479</u>	<u>\$ 93,986</u>	<u>\$ 197,465</u>

KINGSTON COMMUNITY SCHOOLS
SCHEDULE OF BONDED DEBT - 2012 REFUNDING BONDS
JUNE 30, 2023

PRINCIPAL DUE MAY 1	RATE	INTEREST DUE		DEBT SERVICE REQUIREMENT FOR FISCAL YEAR	
		MAY 1	NOVEMBER 1	JUNE 30	AMOUNT
\$ 225,000	3.000%	\$ 18,082	\$ 18,082	2024	\$ 261,164
235,000	3.000%	14,706	14,706	2025	264,412
240,000	3.000%	11,181	11,181	2026	262,362
245,000	3.000%	7,581	7,581	2027	260,162
<u>250,000</u>	3.125%	<u>3,907</u>	<u>3,907</u>	2028	<u>257,814</u>
<u><u>\$ 1,195,000</u></u>		<u><u>\$ 55,457</u></u>	<u><u>\$ 55,457</u></u>		<u><u>\$ 1,305,914</u></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, 2023

PRINCIPAL DUE MAY 1	RATE	INTEREST DUE		DEBT SERVICE REQUIREMENT FOR FISCAL YEAR	
		MAY 1	NOVEMBER 1	JUNE 30	AMOUNT
\$ 100,000	3.000%	\$ 83,675	\$ 83,675	2024	\$ 267,350
100,000	3.000%	82,175	82,175	2025	264,350
105,000	3.000%	80,675	80,675	2026	266,350
110,000	4.000%	79,100	79,100	2027	268,200
120,000	4.000%	76,900	76,900	2028	273,800
350,000	4.000%	74,500	74,500	2029	499,000
365,000	4.000%	67,500	67,500	2030	500,000
380,000	4.000%	60,200	60,200	2031	500,400
395,000	4.000%	52,600	52,600	2032	500,200
410,000	4.000%	44,700	44,700	2033	499,400
430,000	4.000%	36,500	36,500	2034	503,000
445,000	4.000%	27,900	27,900	2035	500,800
465,000	4.000%	19,000	19,000	2036	503,000
485,000	4.000%	9,700	9,700	2037	504,400
\$ 4,260,000		\$ 795,125	\$ 795,125		\$ 5,850,250

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, 2023

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL ASSISTANCE LISTING NUMBER	PASS- THROUGH GRANTOR'S NUMBER	AWARD AMOUNT	ACCRUED (UNEARNED) REVENUE 7/1/2022	(MEMO ONLY) PRIOR YEAR EXPENDITURES	CURRENT YEAR CASH RECEIPTS	CURRENT YEAR EXPENDITURES	ACCRUED (UNEARNED) REVENUE 6/30/2023
U.S. DEPARTMENT OF AGRICULTURE:								
Passed through Michigan Department of Education:								
Child Nutrition Cluster:								
Non-cash assistance (donated foods):								
National School Lunch Program - Entitlement	10.555	N/A	\$ 28,085	\$ -	\$ -	\$ 28,085	\$ 28,085	\$ -
National School Lunch Program - Bonus	10.555	N/A	1,366	-	-	1,366	1,366	-
Total non-cash assistance			<u>29,451</u>	<u>-</u>	<u>-</u>	<u>29,451</u>	<u>29,451</u>	<u>-</u>
Cash assistance:								
National School Lunch Program	10.555	220910	16,745	-	-	16,745	16,745	-
National School Lunch Program	10.555	221960	34,394	-	-	34,394	34,394	-
National School Lunch Program	10.555	230910	10,448	-	-	10,448	10,448	-
National School Lunch Program	10.555	231960	227,011	-	-	219,434	227,011	7,577
Subtotal			<u>288,598</u>	<u>-</u>	<u>-</u>	<u>281,021</u>	<u>288,598</u>	<u>7,577</u>
Total ALN 10.555			<u>318,049</u>	<u>-</u>	<u>-</u>	<u>310,472</u>	<u>318,049</u>	<u>-</u>
School Breakfast Program	10.553	221970	17,714	-	-	17,714	17,714	-
School Breakfast Program	10.553	231970	112,244	-	-	108,231	112,244	4,013
Total ALN 10.553			<u>129,958</u>	<u>-</u>	<u>-</u>	<u>125,945</u>	<u>129,958</u>	<u>4,013</u>
Summer Food Service Program	10.559	220900	216	-	-	216	216	-
Total ALN 10.559			<u>216</u>	<u>-</u>	<u>-</u>	<u>216</u>	<u>216</u>	<u>-</u>
Total cash assistance			<u>418,772</u>	<u>-</u>	<u>-</u>	<u>407,182</u>	<u>418,772</u>	<u>11,590</u>
Total Child Nutrition Cluster			<u>448,223</u>	<u>-</u>	<u>-</u>	<u>436,633</u>	<u>448,223</u>	<u>11,590</u>
Child and Adult Care Food Program	10.558	221920	358	-	-	358	358	-
Child and Adult Care Food Program	10.558	231920	2,766	-	-	2,668	2,766	98
Total ALN 10.558			<u>3,124</u>	<u>-</u>	<u>-</u>	<u>3,026</u>	<u>3,124</u>	<u>98</u>
COVID-19 Pandemic EBT Local Level Costs	10.649	220980	628	-	-	628	628	-
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>451,975</u>	<u>-</u>	<u>-</u>	<u>440,287</u>	<u>451,975</u>	<u>11,688</u>

The accompanying notes are an integral part of the schedule.

KINGSTON COMMUNITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2023

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL ASSISTANCE LISTING NUMBER	PASS- THROUGH GRANTOR'S NUMBER	AWARD AMOUNT	ACCRUED (UNEARNED) REVENUE 7/1/2022	(MEMO ONLY) PRIOR YEAR EXPENDITURES	CURRENT YEAR CASH RECEIPTS	CURRENT YEAR EXPENDITURES	ACCRUED (UNEARNED) REVENUE 6/30/2023
U.S. DEPARTMENT OF EDUCATION:								
Rural Education Achievement Program	84.358A	S358A221518	\$ 37,339	\$ -	\$ -	\$ 37,339	\$ 37,339	\$ -
Passed through Michigan Department of Education:								
Title I Grants to Local Educational Agencies	84.010	231530-2223	117,690	-	-	-	117,690	117,690
Total ALN 84.010			<u>117,690</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>117,690</u>	<u>117,690</u>
Supporting Effective Instruction State Grant	84.367	230520-2223	33,473	-	-	-	33,473	33,473
Total ALN 84.367			<u>33,473</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,473</u>	<u>33,473</u>
Student Support and Academic Enrichment Program	84.424	230750-2223	10,000	-	-	-	10,000	10,000
Total ALN 84.424			<u>10,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,000</u>	<u>10,000</u>
Education Stabilization Fund:								
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER III Formula Funds)	84.425U	213713-2122	924,488	-	304,334	-	502,609	502,609
Total ALN 84.425			<u>924,488</u>	<u>-</u>	<u>304,334</u>	<u>-</u>	<u>502,609</u>	<u>502,609</u>
Total passed through Michigan Department of Education			<u>1,085,651</u>	<u>-</u>	<u>304,334</u>	<u>-</u>	<u>663,772</u>	<u>663,772</u>
Passed through Tuscola Intermediate School District:								
Special Education Cluster: Special Education Flowthrough	84.027A	230450-2223	194,930	-	-	194,930	194,930	-
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>1,317,920</u>	<u>-</u>	<u>304,334</u>	<u>232,269</u>	<u>896,041</u>	<u>663,772</u>
U.S. DEPARTMENT OF TREASURY:								
Passed through Tuscola Intermediate School District: COVID-19 State and Local Fiscal Recovery Funds - GSRP	21.027	222390-GSRP2122	141,018	18,368	111,154	48,232	29,864	-
TOTAL U.S. DEPARTMENT OF TREASURY			<u>141,018</u>	<u>18,368</u>	<u>111,154</u>	<u>48,232</u>	<u>29,864</u>	<u>-</u>
U.S. FEDERAL COMMUNICATIONS COMMISSION:								
Passed through Universal Service Administrative Company COVID-19 Emergency Connectivity Fund Program	32.009	N/A	138,480	11,667	138,147	11,667	-	-
TOTAL U.S. FEDERAL COMMUNICATIONS COMMISSION			<u>138,480</u>	<u>11,667</u>	<u>138,147</u>	<u>11,667</u>	<u>-</u>	<u>-</u>
TOTAL FEDERAL AWARDS			<u>\$ 2,049,393</u>	<u>\$ 30,035</u>	<u>\$ 553,635</u>	<u>\$ 732,455</u>	<u>\$ 1,377,880</u>	<u>\$ 675,460</u>

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, 2023

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, 2023. 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 qualifies 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	\$1,047,708
Other nonmajor governmental funds	<u>451,347</u>
Total federal revenue in the fund financial statements	1,499,055
Less: Federal assistance funding not subject to single audit act	(109,508)
Less: Prior year unavailable revenue, recognized as revenue in the current year	<u>(11,667)</u>
Expenditures per schedule of expenditures of federal awards	<u>\$1,377,880</u>



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

**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

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, the major fund, and the aggregate remaining fund information of Kingston Community Schools, as of and for the year ended June 30, 2023, 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 20, 2023.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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
989-872-3730 fax: 989-872-3978

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 20, 2023



**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

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, 2023. 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, 2023.

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 20, 2023

KINGSTON COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2023

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? _____ Yes X 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:

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

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

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

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

KINGSTON COMMUNITY SCHOOLS
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2023

Financial Statement Finding

Finding 2022-001 & 2021-001 – Considered a significant deficiency

Criteria:

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

Condition:

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

Context:

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

Cause:

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

Effect:

Audit adjustments were required to reconcile certain accounts.

Recommendation:

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

Client Response:

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

Status:

As of the fiscal year ended June 30, 2023, this finding has been resolved.

KINGSTON COMMUNITY SCHOOLS
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2023

Financial Statement Finding

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.

Status:

As of the fiscal year ended June 30, 2023, this finding has shown improvement and, therefore, is downgraded to a management comment.



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, the major fund, and the aggregate remaining fund information of **Kingston Community Schools** for the year ended **June 30, 2023**. 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 (GASB) No. 96, *Subscription-based IT arrangements*. Accordingly, the cumulative effects of the accounting changes are reported in the applicable financial statements and note disclosures. We noted no transactions entered into by **Kingston Community Schools** during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Estimates have been used to calculate the net pension liability and the net other postemployment benefit 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 take 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
989-872-3730 fax: 989-872-3978

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 20, 2023.

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 20, 2023



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 Board of Education
Kingston Community Schools

In planning and performing our audit of the financial statements of Kingston Community Schools as of and for the year ended June 30, 2023, 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 20, 2023 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:

Budget Compliance

We noted the general fund total expenditures were over budget by \$362,685. The majority of the overage was due to a three-year bus lease agreement for six propane buses that was entered into at the end of the fiscal year, and therefore, not budgeted. We recommend the District amend your budget before June 30th each year for any necessary changes to avoid having your expenses greater than you budgeted.

This report is intended solely for the information and 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.

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

Very truly yours,

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

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

October 20, 2023