KENOWA HILLS PUBLIC SCHOOLS

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

YEAR ENDED JUNE 30, 2022

Maner Costerisan

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Kenowa Hills Public Schools

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Kenowa Hills Public Schools, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Kenowa Hills Public Schools' basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Kenowa Hills Public Schools, as of June 30, 2022, 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 Kenowa Hills Public Schools and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Kenowa Hills Public 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 Kenowa Hills Public 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 Kenowa Hills Public 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 Kenowa Hills Public Schools' basic financial statements. The accompanying additional supplementary information, as identified in the table of contents, including the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional supplementary information, including the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2022 on our consideration of Kenowa Hills Public 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 Kenowa Hills Public 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 Kenowa Hills Public Schools internal control over financial reporting and compliance.

Maner Costerisan PC

October 21, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Kenowa Hills Public Schools ("District") we offer readers of the District's annual financial report our discussion and analysis of the District's financial performance during the fiscal year ended on June 30, 2022. Please read it in conjunction with the District's financial statements which immediately follow this section.

FINANCIAL OVERVIEW

- The District's general fund financial situation improved for the fifth consecutive year.

- For the 2021-2022 school year, fund balance in the general fund was increased by $368,995 to $4,704,402.

- During the 2021-2022 school year compared to 2020-2021, general fund revenues increased by $3,925,478 (9.98%), while expenditures increased by $3,641,474 (9.28%).

- Enrollment decreased by 33 students during the 2021-2022 year. This represents a decrease of approximately 1.1% from the previous year.

OVERVIEW OF THE FINANCIAL STATEMENTS

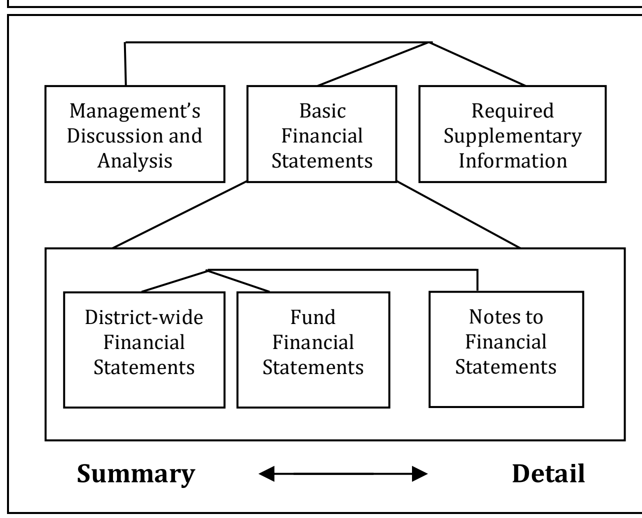
This annual report consists of three parts - management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are District-wide financial statements that provide both short-term and long-term information about the District's overall financial status.

- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide notes to financial statements.

- The governmental funds statements tell how basic services like instruction and support services were financed in the short-term as well as what remains for future spending.

Figure A-1
Organization of Kenowa Hills Public Schools' Annual Financial Report



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

Figure A-2
Major Features of District-Wide and Fund Financial Statements

	District-wide Statements	Fund Financial Statements Governmental Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance.
Required financial statements	* Statement of net position * Statement of activities	* Balance sheet * Statement of revenues, expenditures and changes in fund balances
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

DISTRICT-WIDE STATEMENTS

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the District's net position and how they have changed. Net position, the difference between the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position is an indicator of whether its financial position is improving or deteriorating, respectively.

- To assess the overall health of the District, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

District-wide financial statements:

- Governmental activities - Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state formula aid finance most of these activities.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by State law and by bond covenants.

- The District establishes other funds to control and manage money for particular purposes (like repaying debt, and its capital projects fund) or to show that it is properly using certain revenues (like school lunch).

The District has one type of fund.

- Governmental funds - Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information with the governmental funds statements that explain the relationship (or differences) between them.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net position - During the fiscal year ended June 30, 2022, the District's net position improved. The following is a summary of the District's combined net position at June 30, 2022.

Table A-3
Kenowa Hills Public Schools' Net Position

	2022	2021
Assets		
Current and other assets	$ 34,373,228	$ 37,110,270
Capital assets	66,120,850	67,994,740
Total assets	100,494,078	105,105,010
Deferred outflows of resources	16,768,285	19,235,429
Liabilities		
Other liabilities	7,987,033	6,896,172
Noncurrent liabilities	84,686,676	87,377,236
Net other postemployment benefits liability	3,077,045	10,143,690
Net pension liability	46,443,280	64,954,997
Total liabilities	142,194,034	169,372,095
Deferred inflows of resources	30,014,492	10,384,169
Net position		
Net investment in capital assets	(6,110,754)	(423,913)
Restricted	7,790,469	6,155,502
Unrestricted	(56,625,878)	(61,147,414)
Total net position	$ (54,946,163)	$ (55,415,825)

Table A-4
Changes in Kenowa Hills Public Schools' Net Position

	2022	2021
Revenues		
Program revenues		
Charges for services	$ 1,344,914	$ 931,699
Operating grants and contributions	18,513,963	16,045,283
General revenues		
Property taxes	18,226,570	17,445,779
Investment earnings	44,441	17,424
State aid - unrestricted	13,997,138	13,031,620
Other	365,272	366,938
Total revenues	52,492,298	47,838,743
Expenses		
Instruction	29,116,241	27,096,608
Support services	16,240,256	14,927,927
Community services	1,197,226	1,180,076
Food services	1,775,057	1,593,574
Student/school activities	191,005	114,721
Interest on long-term debt	3,502,851	3,542,897
Total expenses	52,022,636	48,455,803
Change in net position	$ 469,662	$ (617,060)

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

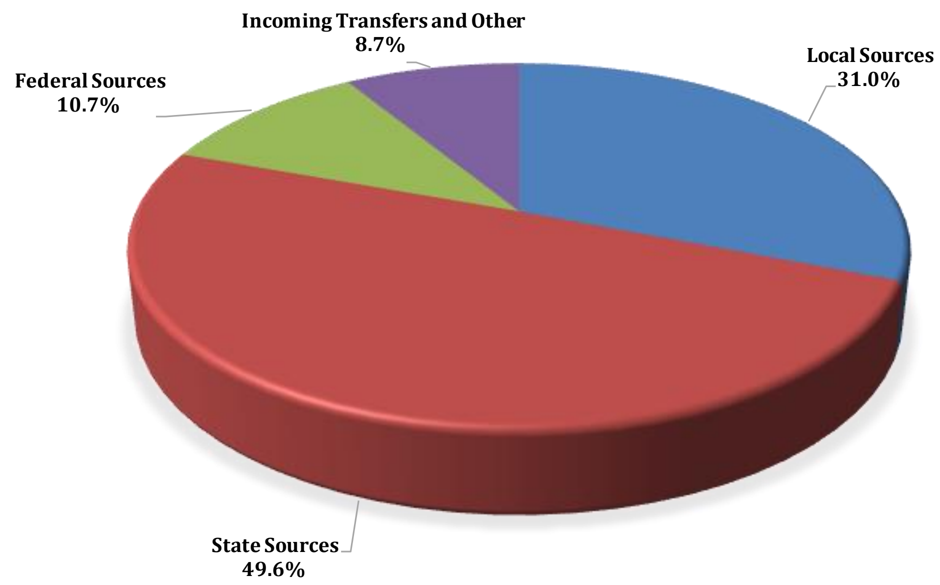
For the District as a whole its *combined* fund balance is $26,999,087 compared to $30,802,917 in 2021. The fund balance decreased by $3,803,830 for the year, primarily due to spending down the 2020 and 2018 capital projects funds.

General Fund and Budget Highlights

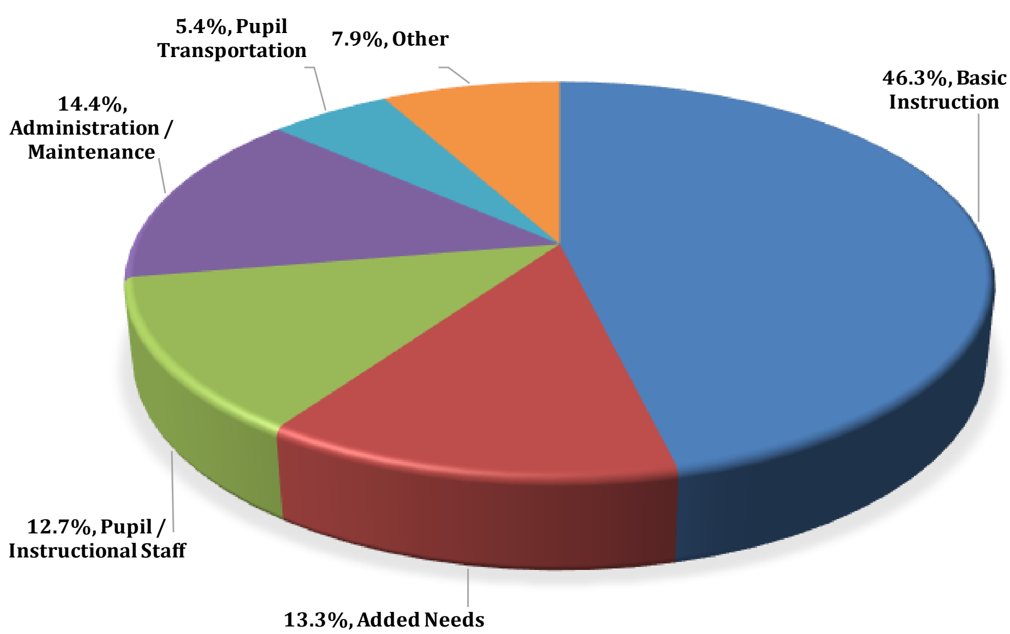
During the 2021 - 2022 fiscal year the original district budget was amended three times to reflect changes which affected the District. The final budget was amended to show a projected current year fund balance of $4,234,357 while the actual fund balance for the year was $4,704,402.

Remaining fund balance represented 10.87% of 2021 - 2022 general fund revenues or a 11.74% fund balance when adjusting for the UAAL contributions the District receives as pass through funds from the State of Michigan that do not go towards District discretionary spending.

Sources of General Fund Revenues for Fiscal Year 2021-22

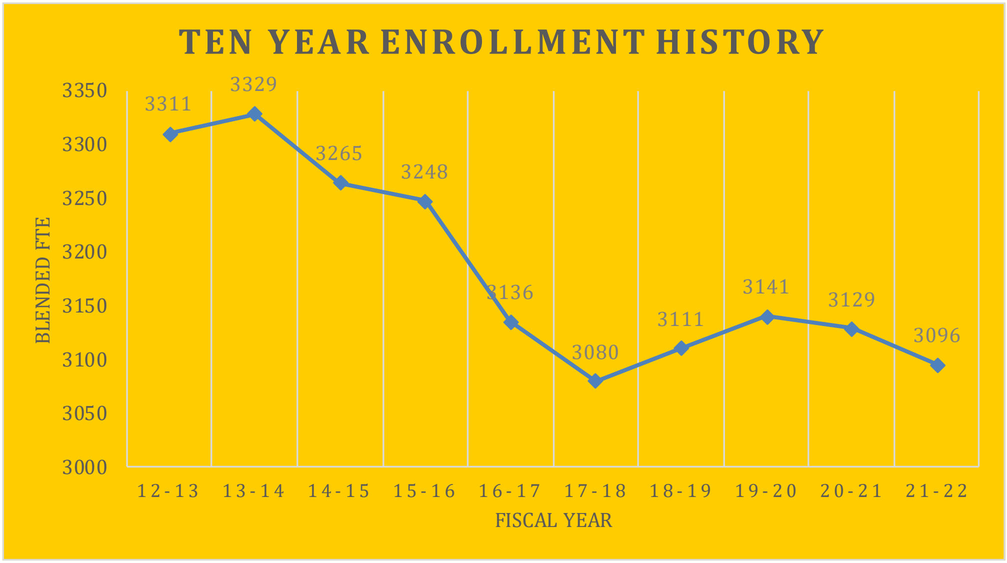


Departmental Expenditures as Percentage of Total Expenses



The District's General Fund expenditures were approximately $42.9 million in 2021-2022. The District's expenses are predominantly related to instructing, caring for (added needs and pupil services) and transporting students (77.7% of total General Fund Expenditures). The District's administrative and maintenance activities accounted for approximately 22.3% of total costs.

Total revenues exceeded expenditures, increasing the General Fund Balance by approximately $369,000 over the prior fiscal year.



- The blended student count for which the District receives a foundation allowance decreased by 33 students between 2020-2021 and 2021-2022.

CAPITAL ASSETS

The District's capital assets are as follows:

Table A-5
Kenowa Hills Public Schools' Capital Assets

	2022			2021
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Land	$ 1,267,762	$ -	$ 1,267,762	$ 1,267,762
Construction in progress	24,785,780	-	24,785,780	18,573,950
Land improvements	9,740,870	9,717,019	23,851	6,171,997
Buildings and additions	66,350,760	29,395,183	36,955,577	38,723,985
Furniture and equipment	3,297,073	1,705,364	1,591,709	1,566,223
Vehicles	3,037,270	1,541,099	1,496,171	1,690,823
Total	$ 108,479,515	$ 42,358,665	$ 66,120,850	$ 67,994,740

LONG-TERM OBLIGATIONS

At June 30, 2022, the District had approximately $84.7 million in long-term obligations which included $84.2 million in outstanding bonded debt. The bonded debt obligation decreased during the year due to principal payments of $2.17 million. In addition to the bonded debt, the District has obligations for accumulated compensated absences estimated at roughly $525 thousand at the end of the fiscal year. More detailed information is available in Note 5 to the financial statements.

FACTORS BEARING ON THE DISTRICT'S FUTURE

The School District's Board of Education and administration considered many factors when finalizing the School District's 2022-23 budget. The 2022-23 budget was adopted in June 2022, based on an estimate of students that will be enrolled in October 2022 and estimated per pupil funding. The 2022-23 budget was approved at a $450 per pupil increase with additional anticipated sources of State funding to support school mental health and safety programs. Based on projected enrollment data for the 2022-23 school year, it is anticipated that the fall student count will be flat when compared to the 2021-22 school year. The District's 2022-23 Approved Budget is amended three times per year, once in December, once in March and a final amendment in June where any revisions to the numbers will be made.

The district received a significant influx of Federal funds to support the return to in person instruction as a result of the COVID 19 pandemic. Those funds will begin to run out over the next 2 fiscal years and the district will have to account for that as they position themselves for the future without those additional funding supports.

The district's primary source of revenue is from State resources and the Michigan State economy is still going strong exceeding State budget forecasts. However, with interest rates on the rise as the Federal Reserve works to control inflation, the district's costs will go up and revenues are not guaranteed to last to support these higher costs. The outcome of the November 2022 gubernatorial election could also have a significant impact on the district's outlook.

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 information, please contact the Business Office, Kenowa Hills Public Schools, 2325 Four Mile Road, N.W., Grand Rapids, MI 49544.

BASIC FINANCIAL STATEMENTS

KENOWA HILLS PUBLIC SCHOOLS
STATEMENT OF NET POSITION
JUNE 30, 2022

	Governmental Activities
ASSETS	
Cash and cash equivalents	$ 12,533,702
Investments	3,015,864
Receivables	
Accounts receivable	30,890
Intergovernmental	5,441,099
Inventories	26,050
Prepaids	76,580
Restricted cash and cash equivalents	931
Restricted investments	13,248,112
Capital assets not being depreciated	26,053,542
Capital assets, net of accumulated depreciation	40,067,308
TOTAL ASSETS	100,494,078
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding	83,800
Related to other postemployment benefits	4,894,709
Related to pensions	11,789,776
TOTAL DEFERRED OUTFLOWS OF RESOURCES	16,768,285
LIABILITIES	
Accounts payable	1,526,687
Accrued salaries and related items	2,859,317
Accrued retirement	2,012,391
Intergovernmental payables	183,574
Accrued interest	612,892
Unearned revenue	792,172
Noncurrent liabilities:	
Due within one year	2,143,774
Due in more than one year	82,542,902
Net other postemployment benefits liability	3,077,045
Net pension liability	46,443,280
TOTAL LIABILITIES	142,194,034
DEFERRED INFLOWS OF RESOURCES	
Related to pensions	15,288,885
Related to other postemployment benefits	11,544,406
Related to state aid funding for pension	3,181,201
TOTAL DEFERRED INFLOWS OF RESOURCES	30,014,492
NET POSITION	
Net investment in capital assets	(6,110,754)
Restricted for food service	140,773
Restricted for debt service	7,649,696
Unrestricted	(56,625,878)
TOTAL NET POSITION	$ (54,946,163)

See notes to financial statements.

KENOWA HILLS PUBLIC SCHOOLS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Governmental Activities: Net (Expense) Revenue and Changes in Net Position
Governmental activities				
Instruction	$ 29,116,241	$ 71,098	$ 13,485,816	$ (15,559,327)
Support services	16,240,256	167,278	2,425,281	(13,647,697)
Community services	1,197,226	993,963	-	(203,263)
Food services	1,775,057	112,575	2,352,682	690,200
Student/school activities	191,005	-	250,184	59,179
Interest on long-term debt	3,502,851	-	-	(3,502,851)
Total governmental activities	$ 52,022,636	$ 1,344,914	$ 18,513,963	(32,163,759)
General revenues				
Property taxes, levied for general purposes				11,947,178
Property taxes, levied for debt service				6,279,392
Investment earnings				44,441
State sources - unrestricted				13,997,138
Other				365,272
Total general revenues				32,633,421
CHANGE IN NET POSITION				469,662
Net position, beginning of year				(55,415,825)
Net position, end of year				$ (54,946,163)

See notes to financial statements.

KENOWA HILLS PUBLIC SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2022

	General Fund	2010 Building and Site	2020 Capital Projects	Total Nonmajor Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	$ 2,944,318	$ 7,337,418	$ -	$ 2,251,966	$ 12,533,702
Investments	2,272,065	19,929	-	723,870	3,015,864
Receivables					
Accounts receivable	30,890	-	-	-	30,890
Intergovernmental receivables	5,428,145	-	-	12,954	5,441,099
Due from other funds	-	-	-	404,953	404,953
Inventories	7,360	-	-	18,690	26,050
Prepaids	69,185	-	-	7,395	76,580
Restricted cash and cash equivalents	-	-	931	-	931
Restricted investments	-	-	11,302,233	1,945,879	13,248,112
TOTAL ASSETS	$ 10,751,963	$ 7,357,347	$ 11,303,164	$ 5,365,707	$ 34,778,181
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	$ 198,841	$ -	$ 1,182,803	$ 145,043	$ 1,526,687
Accrued salaries and related items	2,852,844	-	-	6,473	2,859,317
Accrued retirement	2,011,641	-	-	750	2,012,391
Intergovernmental payables	171,226	-	-	12,348	183,574
Due to other funds	35,331	171,349	44,815	153,458	404,953
Unearned revenue	777,678	-	-	14,494	792,172
TOTAL LIABILITIES	6,047,561	171,349	1,227,618	332,566	7,779,094
FUND BALANCES					
Nonspendable					
Inventories	7,360	-	-	18,690	26,050
Prepaids	69,185	-	-	7,395	76,580

See notes to financial statements.

	General Fund	2010 Building and Site	2020 Capital Projects	Total Nonmajor Funds	Total Governmental Funds
FUND BALANCES (continued)					
Restricted for:					
Debt service	$ -	$ 7,185,998	$ -	$ 1,076,590	$ 8,262,588
Capital projects	-	-	10,075,546	2,494,139	12,569,685
Food service	-	-	-	1,146,378	1,146,378
Committed for student/school activities	-	-	-	289,949	289,949
Unassigned	4,627,857	-	-	-	4,627,857
TOTAL FUND BALANCES	4,704,402	7,185,998	10,075,546	5,033,141	26,999,087
TOTAL LIABILITIES AND FUND BALANCES	$ 10,751,963	$ 7,357,347	$ 11,303,164	$ 5,365,707	$ 34,778,181

Total governmental fund balances		$ 26,999,087
Amounts reported for governmental activities in the statement of net position are different because:		
Deferred charge on refunding, net of amortization		83,800
Deferred outflows of resources - related to pensions		11,789,776
Deferred outflows of resources - related to other postemployment benefits		4,894,709
Deferred inflows of resources - related to pensions		(15,288,885)
Deferred inflows of resources - related to other postemployment benefits		(11,544,406)
Deferred inflows of resources - related to state pension funding		(3,181,201)
Capital assets used in governmental activities are not financial resources and are not reported in the funds.		
The cost of the capital assets is	$ 108,479,515	
Accumulated depreciation is	(42,358,665)	
		66,120,850
Long-term liabilities are not due and payable in the current period and are not reported in the funds.		
General obligation bonds		(84,161,518)
Accumulated compensated absences		(525,158)
Accrued interest is not included as a liability in government funds, it is recorded when paid		(612,892)
Net other postemployment benefits liability		(3,077,045)
Net pension liability		(46,443,280)
Net position of governmental activities		$ (54,946,163)

See notes to financial statements.

KENOWA HILLS PUBLIC SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2022

	General Fund	2010 Building and Site	2020 Capital Projects	Total Nonmajor Funds	Total Governmental Funds
REVENUES					
Local sources					
Property taxes	$ 11,947,178	$ 1,196,856	$ -	$ 5,082,536	$ 18,226,570
Tuition	993,978	-	-	-	993,978
Investment earnings	8,627	91	28,997	6,726	44,441
Food sales	90,757	-	-	112,575	203,332
Student/school activities	-	-	-	250,184	250,184
Other	364,526	21,282	-	104,763	490,571
Total local sources	13,405,066	1,218,229	28,997	5,556,784	20,209,076
State sources	21,444,656	93,048	-	130,503	21,668,207
Federal sources	4,624,632	593,157	-	2,310,653	7,528,442
Incoming transfers and other	3,784,689	-	-	-	3,784,689
TOTAL REVENUES	43,259,043	1,904,434	28,997	7,997,940	53,190,414
EXPENDITURES					
Current					
Instruction	25,541,605	-	-	-	25,541,605
Supporting services	16,073,206	-	-	-	16,073,206
Food service activities	-	-	-	1,728,639	1,728,639
Student/school activities	-	-	-	191,005	191,005
Community service activities	1,264,704	-	-	-	1,264,704
Capital outlay	-	-	5,737,006	845,453	6,582,459

See notes to financial statements.

	General Fund	2010 Building and Site	2020 Capital Projects	Total Nonmajor Funds	Total Governmental Funds
EXPENDITURES (continued)					
Debt service					
Principal repayment	$ -	$ -	$ -	$ 2,170,000	$ 2,170,000
Interest	-	757,987	-	2,720,791	3,478,778
Other	-	3,646	-	2,403	6,049
TOTAL EXPENDITURES	42,879,515	761,633	5,737,006	7,658,291	57,036,445
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	379,528	1,142,801	(5,708,009)	339,649	(3,846,031)
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of capital assets	-	-	-	42,201	42,201
Transfers in	89,467	-	-	100,000	189,467
Transfers out	(100,000)	-	-	(89,467)	(189,467)
TOTAL OTHER FINANCING SOURCES (USES)	(10,533)	-	-	52,734	42,201
NET CHANGE IN FUND BALANCES	368,995	1,142,801	(5,708,009)	392,383	(3,803,830)
FUND BALANCES					
Beginning of year	4,335,407	6,043,197	15,783,555	4,640,758	30,802,917
End of year	$ 4,704,402	$ 7,185,998	$ 10,075,546	$ 5,033,141	$ 26,999,087

See notes to financial statements.

KENOWA HILLS PUBLIC SCHOOLS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022

Net change in fund balances total governmental funds	$ (3,803,830)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. In the statement of activities these costs are allocated over their estimated useful lives as depreciation.	
Depreciation expense	(8,442,503)
Capital outlay	6,582,459
Loss on disposal of capital assets	(13,846)
Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid.	
Accrued interest payable, beginning of the year	588,819
Accrued interest payable, end of the year	(612,892)
The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The effect of these differences in the treatment of long-term debt and related items are as follows:	
Payments on general obligation bonds	2,170,000
Amortization of deferred loss on refunding	(20,949)
Amortization of bond premium	510,751
Compensated absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds.	
Accumulated compensated absences, beginning of the year	534,967
Accumulated compensated absences, end of the year	(525,158)
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 items	3,068,449
Pension related items	1,153,816
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	(720,421)
Change in net position of governmental activities	$ 469,662

See notes to financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

<u>Reporting Entity</u>

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

<u>Description of Government-wide Financial Statements</u>

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

<u>Basis of Presentation - Government-wide Financial Statements</u>

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

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

<u>Basis of Presentation - Fund Financial Statements</u>

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

The District reports the following *Major Governmental Funds*:

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

The *2010 Building and Site Fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *2020 Capital Projects Fund* accounts for the proceeds of certain bonds payable that are restricted to expenditure for capital outlays for voter-approved purposes.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation - Fund Financial Statements (continued)

The capital projects funds include capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the District has complied with the applicable provisions of §1351a of the Revised School Code.

Beginning with the year of bond issuance, the District has reported the annual construction activity in the 2018 and 2020 capital projects funds. The projects for both the 2018 and 2020 bonds are considered to be in process as of June 30, 2022. The following is a summary of the cumulative revenue and expenditures for the capital projects funds' activities:

	2018 Capital Projects	2020 Capital Projects
Revenue and other financing sources	$ 38,352,265	$ 18,732,031
Expenditures	$ 36,581,697	$ 8,656,485

The above figures include the total 2018 and 2020 bond proceeds and premium of $37,311,982 and $18,698,245, respectively.

Other Nonmajor Funds

The *Special Revenue Fund* accounts for revenue sources that are legally restricted or committed to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food service and student/school activities in the special revenue 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 *2013 Capital Projects Fund* accounts for the transfers from the general fund and sales of capital assets for the acquisition of capital assets.

The *2018 Capital Projects Fund* accounts for the proceeds of certain bonds payable that are restricted to expenditure for capital outlays for voter-approved purposes.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation - Fund Financial Statements (continued)

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 fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

Measurement Focus and Basis of Accounting

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting (continued)

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

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

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

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

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

Budgetary Information

Budgetary Basis of Accounting

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgetary Information (continued)

Budgetary Basis of Accounting (continued)

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

a. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.

b. Public hearings are conducted to obtain taxpayer comments.

c. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, in the general fund are noted in the required supplementary information section.

d. Transfers may be made for budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.

e. The budget was amended during the year with supplemental appropriations, the last one approved prior to year end June 30, 2022. The District does not consider these amendments to be significant.

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

Cash and Cash Equivalents

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Investments

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

a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.

b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration (NCUA), but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.

c. Commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase.

d. The United States government or federal agency obligations repurchase agreements.

e. Bankers acceptances of United States banks.

f. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Michigan Compiled Laws allow for collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Capital Assets

Capital assets, which include property, plant, equipment, and transportation vehicles, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year. Group purchases are evaluated on a case by case basis. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

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 are not depreciated. The other property, plant, and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

Buildings and additions	40 - 50 years
Land improvements	10 - 20 years
Furniture and equipment	3 - 10 years
Vehicles	5 - 10 years

Defined Benefit Plan

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

Deferred Outflows

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net 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 three items that qualify for reporting in this category. They are the deferred charge on refunding and pension and other postemployment benefits related items reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. A deferred outflow is recognized for pension and other postemployment benefit related items. These amounts are expensed in the plan year in which they apply.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Deferred Inflows

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources,* represents an acquisition of net 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 three items that qualify for reporting in this category. The first is restricted section 147c state aid deferred to offset deferred outflows related to section 147c pension benefit contributions subsequent to the measurement period. The second and third items are future resources yet to be recognized in relation to the pension and other postemployment benefit actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the pension and other postemployment benefit liability and the actual results. The amounts are amortized over a period determined by the actuary.

Net Position Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

Fund Balance Flow Assumptions

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Balance Policies (continued)

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 has by resolution authorized the superintendent and finance director to assign fund balance. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Revenues and Expenditures/Expenses

Program Revenues

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

Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due dates are September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

For the year ended June 30, 2022, the District levied the following amounts per $1,000 of assessed valuation:

Fund	Mills
General fund	
Non-Principal Residence Exemption (PRE)	18.0000
Commercial Personal Property	6.0000
Debt service fund	
PRE, Non-PRE, Commercial Personal Property	4.6700

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues and Expenditures/Expenses (continued)

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-related benefits, where applicable.

Long-term Obligations

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

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

NOTE 2 - DEPOSITS AND INVESTMENTS

As of June 30, 2022 the District had deposits and investments subject to the following risk:

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2022, $12,812,094 of the District's bank balance of $13,312,094 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 $12,534,633.

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.

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

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.

Investment Type	Fair Value	Weighted Average Maturity (Years)
MILAF External Investment Pool - CMC	$ 2,707,575	N/A
MILAF External Investment Pool - MAX	1,556,401	N/A
MILAF External Investment Pool - Term	12,000,000	0.1411
Total fair value	$ 16,263,976	
Portfolio weighted average maturity		0.1411

One day maturity equals approximately 0.0027 years.

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.

Investment Type	Fair Value	Rating	Rating Agency
MILAF External Investment Pool - CMC	$ 2,707,575	AAAm	Standard & Poor's
MILAF External Investment Pool - MAX	1,556,401	AAAm	Standard & Poor's
MILAF External Investment Pool - Term	12,000,000	AAAm	Standard & Poor's
Total fair value	$ 16,263,976		

Foreign Currency Risk

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

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

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.

At June 30, 2022, the District does not have any investments subject to fair value measurements.

The District voluntarily invests certain excess funds in external pooled investment funds which included money market funds. Two of the pooled investment funds utilized by the District is the Michigan Investment Liquid Asset Fund Cash Management Class and Max Class (MILAF). These are external pooled investment funds of "qualified" investments for Michigan school districts. MILAF is not regulated nor is it registered with the SEC. MILAF reports as of June 30, 2022, the fair value of the District's investments is the same as the value of the pool shares.

MILAF Cash Management Class and Max Class funds are considered external investment pools as defined by the GASB and as such are recorded at amortized cost which approximate fair value. The MILAF (MAX Class) fund requires notification of redemptions prior to 14 days to avoid penalties. These funds are not subject to the fair value disclosures.

	Amortized Cost
MILAF External Investment Pool - CMC	$ 2,707,575
MILAF External Investment Pool - MAX	1,556,401
	$ 4,263,976

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Investments in Entities that Calculate Net Asset Value per share

The District holds shares or interests in the Michigan Liquid Asset Fund (MILAF) Term Series, where the fair value of the investments is measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient.

The MILAF Term Series includes investments that the District does not control. The investment pool invests primarily in high-quality money market instruments, including certificates of deposit, commercial paper, and U.S. government and agency obligations, to protect the investment principal and provide liquidity.

At the year ended June 30, 2022, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
MILAF External Investment Pool - Term	$ 12,000,000	$ -	No restrictions	None

The deposits and investments referred to above have been reported in either the cash and cash equivalents or investments captions on the financial statements, based upon criteria disclosed in Note 1. The following summarizes the categorization of these amounts as of June 30, 2022:

Cash and cash equivalents	$ 12,533,702
Restricted cash and cash equivalents	931
Investments	3,015,864
Restricted investments	13,248,112
	$ 28,798,609

NOTE 3 - INTERGOVERNMENTAL RECEIVABLES

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

	Governmental Funds
Other intergovernmental units	
State aid	$ 3,882,392
Federal revenue	1,279,179
ISD and other	279,528
	$ 5,441,099

Amounts due from other intergovernmental units include amounts due from federal, state and local sources for various projects and programs.

No allowance for doubtful accounts is considered necessary.

NOTE 4 - CAPITAL ASSETS

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

	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022
Assets not being depreciated				
Land	$ 1,267,762	$ -	$ -	$ 1,267,762
Construction in progress	18,573,950	6,211,830	-	24,785,780
Total assets not being depreciated	19,841,712	6,211,830	-	26,053,542
Capital assets being depreciated				
Land improvements	9,740,870	-	-	9,740,870
Buildings and additions	66,324,244	26,516	-	66,350,760
Furniture and equipment	3,029,525	267,548	-	3,297,073
Vehicles	2,992,660	76,565	31,955	3,037,270
Subtotal	82,087,299	370,629	31,955	82,425,973
Accumulated depreciation				
Land improvements	3,568,873	6,148,146	-	9,717,019
Buildings and additions	27,600,259	1,794,924	-	29,395,183
Furniture and equipment	1,463,302	242,062	-	1,705,364
Vehicles	1,301,837	257,371	18,109	1,541,099
Total accumulated depreciation	33,934,271	8,442,503	18,109	42,358,665
Net capital assets being depreciated	48,153,028	(8,071,874)	13,846	40,067,308
Net governmental capital assets	$ 67,994,740	$ (1,860,044)	$ 13,846	$ 66,120,850

Depreciation expense was charged to programs of the District as follows:

Governmental activities	
Food service	$ 113,974
Community service	67,540
Support services	1,760,262
Instruction services	6,500,727
Total governmental activities	$ 8,442,503

NOTE 5 - LONG-TERM OBLIGATIONS

The District issues 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 governmental long-term obligations for the District for the year ended June 30, 2022:

	Accumulated Compensated Absences	General Obligation Bonds	Total
Balance July 1, 2021	$ 534,967	$ 86,842,269	$ 87,377,236
Additions	-	-	-
Deletions	(9,809)	(2,680,751)	(2,690,560)
Balance June 30, 2022	525,158	84,161,518	84,686,676
Due within one year	78,774	2,065,000	2,143,774
Total due in more than one year	$ 446,384	$ 82,096,518	$ 82,542,902

General long-term obligations at June 30, 2022 is comprised of the following issues:

General Obligation Bonds	
2010 Building and site bonds due in full on May 1, 2026, with interest paid semi-annually from 3.55% to 6.38%.	$ 11,890,000
2015 Refunding bonds due in annual installments of $1,195,000 to $1,560,000 through May 1, 2026, with interest of 5.00%.	5,805,000
2016 Building and site bonds due in annual installments of $125,000 to $600,000 through May 1, 2045, with interest of 5.00%.	12,490,000
2018 Building and site bonds due in semi-annual installments of $120,000 to $2,925,000 through November 1, 2044, with interest from 3.25% to 5.00%.	33,950,000
2020 Building and site bonds due in annual installments of $1,450,000 to $1,500,000 through November 1, 2044, with interest from 2.00% to 5.00%.	16,210,000
Plus unamortized premium	3,816,518
Total general obligation bonds	84,161,518
Accumulated compensated absences	525,158
Total general long-term obligations	$ 84,686,676

NOTE 5 - LONG-TERM OBLIGATIONS (continued)

The annual requirements to amortize debt outstanding as of June 30, 2022, including interest payments, are as follows:

Year Ending June 30,	General Obligation Bonds Principal	General Obligation Bonds Interest	Accumulated Compensated Absences	Amounts Amounts Payable
2023	$ 2,065,000	$ 2,750,497	$ -	$ 4,815,497
2024	2,255,000	2,651,847	-	4,906,847
2025	2,435,000	2,542,447	-	4,977,447
2026	14,495,000	2,410,447	-	16,905,447
2027	3,380,000	2,117,941	-	5,497,941
2028 - 2032	19,275,000	8,064,346	-	27,339,346
2033 - 2037	16,780,000	4,526,531	-	21,306,531
2038 - 2042	12,810,000	2,199,939	-	15,009,939
2043 - 2045	6,850,000	409,844	-	7,259,844
	80,345,000	27,673,836	-	108,018,836
Premium on bond refunding	3,816,518	-	-	3,816,518
Accumulated compensated absences	-	-	525,158	525,158
	$ 84,161,518	$ 27,673,836	$ 525,158	$ 112,360,512

NOTE 6 - INTERFUND RECEIVABLES AND PAYABLES

Interfund payable and receivable balances at June 30, 2022 are as follows:

Receivable Fund		Payable Fund	
Food service fund	$ 4,043	General fund	$ 35,331
2015 Refunding fund	151,541	2010 Building and Site fund	171,349
2018 Building and Site fund	127,900	2020 Building and Site fund	108,092
2013 Capital Projects fund	121,469	2018 Capital Projects fund	36,701
		2020 Capital Projects fund	44,815
		Student/school Activities fund	8,665
	$ 404,953		$ 404,953

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

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS

Plan Description

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

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

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

Benefits Provided - Overall

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

Plan Name	Plan Type	Plan Status
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%.

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension Reform 2010

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

Pension Reform 2012

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

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

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

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

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

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

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

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension Reform 2012 (continued)

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

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

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

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

Pension Reform of 2017

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

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.

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Retiree Healthcare Reform of 2012

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

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

Regular Retirement (no reduction factor for age)

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

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

Member Contributions

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

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.

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Employer Contributions (continued)

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

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

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

The District's pension contributions for the year ended June 30, 2022 were equal to the required contribution total. Total pension contributions were approximately $6,983,000. Of the total pension contributions approximately $6,767,000 was contributed to fund the Defined Benefit Plan and approximately $216,000 was contributed to fund the Defined Contribution Plan.

The District's OPEB contributions for the year ended June 30, 2022 were equal to the required contribution total. Total OPEB contributions were approximately $1,715,000. Of the total OPEB contributions approximately $1,595,000 was contributed to fund the Defined Benefit Plan and approximately $120,000 was contributed to fund the Defined Contribution Plan.

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

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

Pension Liabilities

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

MPSERS (Plan) Non-university Employers	September 30, 2021	September 30, 2020
Total pension liability	$ 86,392,473,395	$ 85,290,583,799
Plan fiduciary net position	$ 62,717,060,920	$ 50,939,496,006
Net pension liability	$ 23,675,412,475	$ 34,351,087,793
Proportionate share	0.19617%	0.18909%
Net pension liability for the District	$ 46,443,280	$ 64,954,997

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

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

For the year ended June 30, 2022, the District recognized pension expense of $5,612,937.

At June 30, 2022, the Reporting Unit reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	$ 2,927,618	$ -
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,882,684	84,024
Net difference between projected and actual plan investment earnings	-	14,931,365
Difference between expected and actual experience	719,426	273,496
Reporting Unit's contributions subsequent to the measurement date	6,260,048	-
	$ 11,789,776	$ 15,288,885

$6,260,048, reported as deferred outflows of resources related to pensions resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

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

Year Ended September 30,	Amount
2022	$ (773,991)
2023	(2,051,502)
2024	(3,104,923)
2025	(3,828,741)

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

OPEB Liabilities

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

MPSERS (Plan) Non-university Employers	September 30, 2021	September 30, 2020
Total other postemployment benefit liability	$ 12,046,393,511	$ 13,206,903,534
Plan fiduciary net position	$ 10,520,015,621	$ 7,849,636,555
Net other postemployment benefit liability	$ 1,526,377,890	$ 5,357,266,979
Proportionate share	0.20159%	0.18934%
Net other postemployment benefit liability for the District	$ 3,077,045	$ 10,143,690

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

For the year ended June 30, 2022, the District recognized OPEB benefit of $1,473,639.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 8,783,206
Changes of assumptions	2,572,257	384,906
Net difference between projected and actual earnings on OPEB plan investments	-	2,319,224
Changes in proportion and differences between employer contributions and proportionate share of contributions	936,552	57,070
Employer contributions subsequent to the measurement date	1,385,900	-
	$ 4,894,709	$ 11,544,406

$1,385,900, 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.

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

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

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

Year Ended September 30,	Amount
2022	$ (2,153,834)
2023	(1,944,341)
2024	(1,758,273)
2025	(1,641,323)
2026	(475,449)
2027	(62,377)

Actuarial Assumptions

Investment Rate of Return for Pension - 6.80% a year, compounded annually net of investment and administrative expenses for the MIP, Basic and Pension Plus groups and 6.00% a year, compounded annually net of investment and administrative expenses for Pension Plus 2 Plan.

Investment Rate of Return for OPEB - 6.95% a year, compounded annually net of investment and administrative expenses.

Salary Increases - The rate of pay increase used for individual members is 2.75% - 11.55%, including 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, 2020. 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.

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

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

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

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

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

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

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

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

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

Investment Category	Target Allocation	Long-term Expected Real Rate of Return*
Domestic Equity Pools	25.0%	5.4%
Private Equity Pools	16.0%	9.1%
International Equity Pools	15.0%	7.5%
Fixed Income Pools	10.5%	-0.7%
Real Estate and Infrastructure Pools	10.0%	5.4%
Absolute Return Pools	9.0%	2.6%
Real Return/Opportunistic Pools	12.5%	6.1%
Short Term Investment Pools	2.0%	-1.3%
	100.0%	

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

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

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

Pension Discount Rate - A single discount rate of 6.80% was used to measure the total pension liability (6.00% for the Pension Plus 2 Plan). This discount rate was based on the expected rate of return on pension plan investments of 6.80% (6.00% for the Pension Plus 2 Plan). The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions from school districts will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

OPEB Discount Rate - A single discount rate of 6.95% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 6.95%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that school districts contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the Reporting Unit's proportionate share of the net pension liability calculated using a single discount rate of 6.80% (6.00% for the Pension Plus 2 Plan), as well as what the Reporting Unit's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Pension		
	1% Decrease	Discount Rate	1% Increase
Reporting Unit's proportionate share of the net pension liability	$ 66,401,295	$ 46,443,280	$ 29,896,777

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate - The following presents the Reporting Unit's proportionate share of the net OPEB liability calculated using a single discount rate of 6.95%, as well as what the Reporting Unit'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 of the net other postemployment benefit liability	$ 5,717,705	$ 3,077,045	$ 836,068

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

Sensitivity to the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates - The following presents the Reporting Unit's proportionate share of the net other postemployment benefit liability calculated using the healthcare cost trend rate, as well as what the Reporting Unit'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	Healthcare Cost Trend Rates	1% Increase
Reporting Unit's proportionate share of the net other postemployment benefit liability	$ 748,928	$ 3,077,045	$ 5,696,457

Pension and OPEB Plan Fiduciary Net Position

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

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

NOTE 8 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omission; injuries to employees and natural disasters. The District has purchased commercial insurance for property loss, errors and omissions, workers' compensation, health benefits, and dental and vision benefits provided to employees. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

There were no significant reductions in insurance coverage in fiscal year 2022, and as of the year ended June 30, 2022, there were no material pending claims against the District.

NOTE 9 - TRANSFERS

The general fund transferred $100,000 to the 2013 capital projects fund for future capital outlays during fiscal year ended June 30, 2022. The food service fund transferred $89,467 to the general fund for indirect costs during fiscal year ended June 30, 2022.

NOTE 10 - CONTINGENT LIABILITIES

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

NOTE 11 - TAX ABATEMENTS

The District is required to disclose significant tax abatements as required by GASB Statement No. 77, *Tax Abatements.*

The District receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions, Brownfield Redevelopment Agreements, and Payments in Lieu of Taxes (PILOT) granted by cities, villages and townships. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities; Brownfield Redevelopment Agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties; PILOT programs apply to multiple unit housing for citizens of low income and the elderly. The property taxes abated for all funds by municipality under these programs are as follows:

Municipality	Taxes Abated
City of Walker	$ 584,000
Alpine Township	351,000
	$ 935,000

The taxes abated for the general fund operating millage is considered by the State of Michigan when determining the District's section 22 funding of the State School Aid Act.

There are no abatements made by the District.

NOTE 12 - UPCOMING ACCOUNTING PRONOUNCEMENT

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

NOTE 13 - CHANGE IN ACCOUNTING PRINCIPLE

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

Summary:

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

There was no material impact on the District's financial statement after the adoption of GASB Statement 87.

REQUIRED SUPPLEMENTARY INFORMATION

KENOWA HILLS PUBLIC SCHOOLS
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2022

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Local sources	$ 13,237,375	$ 13,275,050	$ 13,405,066	$ 130,016
State sources	20,273,800	21,546,275	21,444,656	(101,619)
Federal sources	3,403,225	4,788,775	4,624,632	(164,143)
Incoming transfers and other	3,909,300	3,740,225	3,784,689	44,464
TOTAL REVENUES	40,823,700	43,350,325	43,259,043	(91,282)
EXPENDITURES				
Current				
Instruction				
Basic programs	18,978,325	20,007,200	19,845,940	161,260
Added needs	5,412,625	5,846,000	5,695,665	150,335
Total instruction	24,390,950	25,853,200	25,541,605	311,595
Supporting services				
Pupil	2,878,725	3,251,475	3,215,180	36,295
Instructional staff	2,181,175	2,284,350	2,217,777	66,573
General administration	534,550	581,825	566,976	14,849
School administration	2,301,850	2,410,825	2,366,866	43,959
Business	553,225	521,150	523,243	(2,093)
Operation/maintenance	2,516,850	2,690,750	2,702,010	(11,260)
Pupil transportation	2,215,075	2,374,700	2,333,661	41,039
Central	1,261,800	1,343,500	1,267,697	75,803
Other	780,375	861,850	879,796	(17,946)
Total supporting services	15,223,625	16,320,425	16,073,206	247,219
Community services	1,109,550	1,264,950	1,264,704	246
TOTAL EXPENDITURES	40,724,125	43,438,575	42,879,515	559,060
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	99,575	(88,250)	379,528	467,778
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	89,467	89,467
Transfers out	(12,800)	(12,800)	(100,000)	(87,200)
TOTAL OTHER FINANCING SOURCES (USES)	(12,800)	(12,800)	(10,533)	2,267
NET CHANGE IN FUND BALANCE	$ 86,775	$ (101,050)	368,995	$ 470,045
FUND BALANCE				
Beginning of year			4,335,407	
End of year			$ 4,704,402	

KENOWA HILLS PUBLIC SCHOOLS
SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT PLAN
LAST TEN FISCAL YEARS (DETERMINED AS OF PLAN YEAR ENDED SEPTEMBER 30)

	2021	2020	2019	2018	2017	2016	2015	2014
Reporting Unit's proportion of net pension liability (%)	0.19617%	0.18909%	0.18759%	0.18746%	0.18838%	0.18798%	0.18765%	0.18431%
Reporting Unit's proportionate share of net pension liability	$ 46,443,280	$ 64,954,997	$ 62,124,637	$ 56,353,247	$ 48,817,380	$ 46,898,384	$ 45,833,590	$ 40,596,519
Reporting Unit's covered-employee payroll	$ 18,225,129	$ 16,776,248	$ 16,440,615	$ 15,896,282	$ 15,765,144	$ 15,815,358	$ 15,620,996	$ 15,633,151
Reporting Unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	254.83%	387.18%	377.87%	354.51%	309.65%	296.54%	293.41%	259.68%
Plan fiduciary net position as a percentage of total pension liability (Non-university employers)	72.60%	59.72%	60.31%	62.36%	64.21%	63.01%	62.92%	66.15%

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

KENOWA HILLS PUBLIC SCHOOLS
SCHEDULE OF THE REPORTING UNIT'S PENSION CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT PLAN
LAST TEN FISCAL YEARS (DETERMINED AS OF THE YEAR ENDED JUNE 30)

	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required contributions	$ 6,766,753	$ 5,719,572	$ 5,116,155	$ 4,896,929	$ 4,897,808	$ 4,958,290	$ 4,726,864	$ 5,041,227
Contributions in relation to statutorily required contributions	6,766,753	5,719,572	5,116,155	4,896,929	4,897,808	4,958,290	4,726,864	5,041,227
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Reporting Unit's covered-employee payroll	$ 19,581,598	$ 17,546,485	$ 16,857,674	$ 16,328,155	$ 15,770,495	$ 15,748,557	$ 15,273,063	$ 16,280,794
Contributions as a percentage of covered-employee payroll	34.56%	32.60%	30.35%	29.99%	31.06%	31.48%	30.95%	30.96%

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

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

	2021	2020	2019	2018	2017
Reporting Unit's proportion of net OPEB liability (%)	0.20159%	0.18934%	0.18805%	0.18643%	0.18814%
Reporting Unit's proportionate share of net OPEB liability	$ 3,077,045	$ 10,143,690	$ 13,497,723	$ 14,819,042	$ 16,660,701
Reporting Unit's covered-employee payroll	$ 18,225,129	$ 16,776,248	$ 16,440,615	$ 15,896,282	$ 15,765,144
Reporting Unit's proportionate share of net OPEB liability as a percentage of its covered-employee payroll	16.88%	60.46%	82.10%	93.22%	105.68%
Plan fiduciary net position as a percentage of total OPEB liability (Non-university employers)	87.33%	59.44%	48.46%	42.95%	36.39%

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

KENOWA HILLS PUBLIC SCHOOLS
SCHEDULE OF THE REPORTING UNIT'S OPEB CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT PLAN
LAST TEN FISCAL YEARS (DETERMINED AS OF THE YEAR ENDED JUNE 30)

	2022	2021	2020	2019	2018
Statutorily required contributions	$ 1,594,810	$ 1,547,534	$ 1,438,722	$ 1,354,113	$ 1,374,902
Contributions in relation to statutorily required contributions	1,594,810	1,547,534	1,438,722	1,354,113	1,374,902
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Reporting Unit's covered-employee payroll	$ 19,581,598	$ 17,546,485	$ 16,857,674	$ 16,328,155	$ 15,770,495
Contributions as a percentage of covered-employee payroll	8.14%	8.82%	8.53%	8.29%	8.72%

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

NOTE 1 - PENSION INFORMATION

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

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

NOTE 2 - OPEB INFORMATION

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

Changes of Assumptions - the assumption changes for 2021 were:

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

ADDITIONAL SUPPLEMENTARY INFORMATION

KENOWA HILLS PUBLIC SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES
JUNE 30, 2022

	Special Revenue				
	Food Service	Student/ School Activities	Debt Service	Capital Projects	Total Nonmajor Funds
ASSETS					
Cash and cash equivalents	$ 1,169,025	$ 299,468	$ 181,371	$ 602,102	$ 2,251,966
Investments	-	-	723,870	-	723,870
Intergovernmental	12,954	-	-	-	12,954
Due from other funds	4,043	-	279,441	121,469	404,953
Prepaids	7,395	-	-	-	7,395
Inventories	18,690	-	-	-	18,690
Restricted investments	-	-	-	1,945,879	1,945,879
TOTAL ASSETS	$ 1,212,107	$ 299,468	$ 1,184,682	$ 2,669,450	$ 5,365,707
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	$ 5,579	$ 854	$ -	$ 138,610	$ 145,043
Accrued salaries and related items	6,473	-	-	-	6,473
Accrued retirement	750	-	-	-	750
Due to other funds	-	8,665	108,092	36,701	153,458
Intergovernmental payables	12,348	-	-	-	12,348
Unearned revenue	14,494	-	-	-	14,494
TOTAL LIABILITIES	39,644	9,519	108,092	175,311	332,566
FUND BALANCES					
Nonspendable					
Inventories	18,690	-	-	-	18,690
Prepaids	7,395	-	-	-	7,395
Restricted for:					
Debt service	-	-	1,076,590	-	1,076,590
Food service	1,146,378	-	-	-	1,146,378
Capital projects	-	-	-	2,494,139	2,494,139
Committed for:					
Student/school activities	-	289,949	-	-	289,949
TOTAL FUND BALANCES	1,172,463	289,949	1,076,590	2,494,139	5,033,141
TOTAL LIABILITIES AND FUND BALANCES	$ 1,212,107	$ 299,468	$ 1,184,682	$ 2,669,450	$ 5,365,707

KENOWA HILLS PUBLIC SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUND TYPES
YEAR ENDED JUNE 30, 2022

	Special Revenue				
	Food Service	Student/ School Activities	Debt Service	Capital Projects	Total Nonmajor Funds
REVENUES					
Local sources					
Property taxes	$ -	$ -	$ 5,082,536	$ -	$ 5,082,536
Investment earnings	-	-	2,612	4,114	6,726
Food sales	112,575	-	-	-	112,575
Student/school activities	-	250,184	-	-	250,184
Other	-	-	95,038	9,725	104,763
Total local sources	112,575	250,184	5,180,186	13,839	5,556,784
State sources	42,029	-	88,474	-	130,503
Federal sources	2,310,653	-	-	-	2,310,653
TOTAL REVENUES	2,465,257	250,184	5,268,660	13,839	7,997,940
EXPENDITURES					
Current:					
Food service activities	1,728,639	-	-	-	1,728,639
Student/school activities	-	191,005	-	-	191,005
Capital outlay	-	-	-	845,453	845,453
Debt service:					
Principal repayment	-	-	2,170,000	-	2,170,000
Interest	-	-	2,720,791	-	2,720,791
Other	-	-	2,403	-	2,403
TOTAL EXPENDITURES	1,728,639	191,005	4,893,194	845,453	7,658,291
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	736,618	59,179	375,466	(831,614)	339,649
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of capital assets	-	-	-	42,201	42,201
Transfers in	-	-	-	100,000	100,000
Transfers out	(89,467)	-	-	-	(89,467)
TOTAL OTHER FINANCING SOURCES (USES)	(89,467)	-	-	142,201	52,734
NET CHANGE IN FUND BALANCES	647,151	59,179	375,466	(689,413)	392,383
FUND BALANCES					
Beginning of year	525,312	230,770	701,124	3,183,552	4,640,758
End of year	$ 1,172,463	$ 289,949	$ 1,076,590	$ 2,494,139	$ 5,033,141

KENOWA HILLS PUBLIC SCHOOLS
COMBINING BALANCE SHEET
DEBT SERVICE FUNDS
JUNE 30, 2022

	2015 Refunding	2016 Building and Site	2018 Building and Site	2020 Building and Site	Total Debt Service
ASSETS					
Cash and cash equivalents	$ 126,610	$ 54,761	$ -	$ -	$ 181,371
Investments	20,211	181,685	157,111	364,863	723,870
Due from other funds	151,541	-	127,900	-	279,441
TOTAL ASSETS	$ 298,362	$ 236,446	$ 285,011	$ 364,863	$ 1,184,682
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Due to other funds	$ -	$ -	$ -	$ 108,092	$ 108,092
FUND BALANCES					
Restricted for debt service	298,362	236,446	285,011	256,771	1,076,590
TOTAL LIABILITIES AND FUND BALANCES	$ 298,362	$ 236,446	$ 285,011	$ 364,863	$ 1,184,682

KENOWA HILLS PUBLIC SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
DEBT SERVICE FUNDS
YEAR ENDED JUNE 30, 2022

	2015 Refunding	2016 Building and Site	2018 Building and Site	2020 Building and Site	Total Debt Service
REVENUES					
Local sources					
Property taxes	$ 1,748,183	$ 806,902	$ 1,801,557	$ 725,894	$ 5,082,536
Investment earnings	646	256	581	1,129	2,612
Other	32,193	14,636	32,984	15,225	95,038
Total local revenue	1,781,022	821,794	1,835,122	742,248	5,180,186
State sources	88,474	-	-	-	88,474
TOTAL REVENUES	1,869,496	821,794	1,835,122	742,248	5,268,660
EXPENDITURES					
Principal repayments	1,415,000	100,000	365,000	290,000	2,170,000
Interest	361,000	629,500	1,339,763	390,528	2,720,791
Other	1,068	-	784	551	2,403
TOTAL EXPENDITURES	1,777,068	729,500	1,705,547	681,079	4,893,194
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	92,428	92,294	129,575	61,169	375,466
FUND BALANCES					
Beginning of year	205,934	144,152	155,436	195,602	701,124
End of year	$ 298,362	$ 236,446	$ 285,011	$ 256,771	$ 1,076,590

KENOWA HILLS PUBLIC SCHOOLS
COMBINING BALANCE SHEET
CAPITAL PROJECTS FUNDS
JUNE 30, 2022

	2013 Capital Projects	2018 Capital Projects	Total Capital Projects
ASSETS			
Cash and cash equivalents	$ 602,102	$ -	$ 602,102
Due from other funds	121,469	-	121,469
Restricted investments	-	1,945,879	1,945,879
TOTAL ASSETS	$ 723,571	$ 1,945,879	$ 2,669,450
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	$ -	$ 138,610	$ 138,610
Due to other funds	-	36,701	36,701
TOTAL LIABILITIES	-	175,311	175,311
FUND BALANCES			
Restricted	723,571	1,770,568	2,494,139
TOTAL LIABILITIES AND FUND BALANCES	$ 723,571	$ 1,945,879	$ 2,669,450

KENOWA HILLS PUBLIC SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
CAPITAL PROJECTS FUNDS
YEAR ENDED JUNE 30, 2022

	2013 Capital Projects	2018 Capital Projects	Total Capital Projects
REVENUES			
Local sources			
Investment earnings	$ -	$ 4,114	$ 4,114
Other	9,725	-	9,725
Total local sources	9,725	4,114	13,839
EXPENDITURES			
Capital outlay	76,595	768,858	845,453
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(66,870)	(764,744)	(831,614)
OTHER FINANCING SOURCES (USES)			
Proceeds from sale of assets	42,201	-	42,201
Transfers in	100,000	-	100,000
TOTAL OTHER FINANCING SOURCES (USES)	142,201	-	142,201
NET CHANGE IN FUND BALANCES	75,331	(764,744)	(689,413)
FUND BALANCES			
Beginning of year	648,240	2,535,312	3,183,552
End of year	$ 723,571	$ 1,770,568	$ 2,494,139

KENOWA HILLS PUBLIC SCHOOLS
BONDED DEBT - PRINCIPAL AND INTEREST REQUIREMENTS
JUNE 30, 2022

2010 School Building and Site Bonds, Series A

Fiscal Year	Interest Rate	Principal Due May 1	Interest Due May 1	Interest Due November 1	Total Due Annually
2023	3.550%	$ -	$ 64,503	$ 64,503	$ 129,006
2024	3.550%	-	64,503	64,503	129,006
2025	3.550%	-	64,503	64,503	129,006
2026	6.375%	11,890,000	64,503	64,503	12,019,006
Total 2010 bonded debt		$ 11,890,000	$ 258,012	$ 258,012	$ 12,406,024

The above bonds dated May 4, 2010 were issued for the purpose of erecting, furnishing and equipping additions to and remodeling, refurnishing and re-equipping school district buildings; acquiring and installing educational technology system improvements and developing and improving playgrounds, play field, athletic fields and facilities and sites. The amount of the original bond issue was $13,815,000.

KENOWA HILLS PUBLIC SCHOOLS
BONDED DEBT - PRINCIPAL AND INTEREST REQUIREMENTS
JUNE 30, 2022

2015 Refunding Bonds

Fiscal Year	Interest Rate	Principal Due May 1	Interest Due May 1	Interest Due November 1	Total Due Annually
2023	5.000%	$ 1,490,000	$ 145,125	$ 145,125	$ 1,780,250
2024	5.000%	1,560,000	107,875	107,875	1,775,750
2025	5.000%	1,560,000	68,875	68,875	1,697,750
2026	5.000%	1,195,000	29,875	29,875	1,254,750
Total 2015 bonded debt		$ 5,805,000	$ 351,750	$ 351,750	$ 6,508,500

The above bonds dated February 4, 2015 were issued for the purpose of refunding a portion of the School District's outstanding 2005 refunding bonds. The amount of the original bond issue was $14,425,000.

KENOWA HILLS PUBLIC SCHOOLS
BONDED DEBT - PRINCIPAL AND INTEREST REQUIREMENTS
JUNE 30, 2022

2016 School Building and Site Bonds, Series I

Fiscal Year	Interest Rate	Principal Due May 1	Interest Due May 1	Interest Due November 1	Total Due Annually
2023	5.000%	$ 125,000	$ 312,250	$ 312,250	$ 749,500
2024	5.000%	250,000	309,125	309,125	868,250
2025	5.000%	375,000	302,875	302,875	980,750
2026	5.000%	400,000	293,500	293,500	987,000
2027	5.000%	540,000	283,500	283,500	1,107,000
2028	5.000%	600,000	270,000	270,000	1,140,000
2029	5.000%	600,000	255,000	255,000	1,110,000
2030	5.000%	600,000	240,000	240,000	1,080,000
2031	5.000%	600,000	225,000	225,000	1,050,000
2032	5.000%	600,000	210,000	210,000	1,020,000
2033	5.000%	600,000	195,000	195,000	990,000
2034	5.000%	600,000	180,000	180,000	960,000
2035	5.000%	600,000	165,000	165,000	930,000
2036	5.000%	600,000	150,000	150,000	900,000
2037	5.000%	600,000	135,000	135,000	870,000
2038	5.000%	600,000	120,000	120,000	840,000
2039	5.000%	600,000	105,000	105,000	810,000
2040	5.000%	600,000	90,000	90,000	780,000
2041	5.000%	600,000	75,000	75,000	750,000
2042	5.000%	600,000	60,000	60,000	720,000
2043	5.000%	600,000	45,000	45,000	690,000
2044	5.000%	600,000	30,000	30,000	660,000
2045	5.000%	600,000	15,000	15,000	630,000
Total 2016 bonded debt		$ 12,490,000	$ 4,066,250	$ 4,066,250	$ 20,622,500

The above bonds dated May 3, 2016 were issued for the purpose of erecting, furnishing and equipping additions to and remodeling, refurnishing and re-equipping school district buildings; acquiring and installing educational technology system improvements and developing and improving playgrounds, play field, athletic fields and facilities and sites. The amount of the original bond issue was $15,490,000.

KENOWA HILLS PUBLIC SCHOOLS
BONDED DEBT - PRINCIPAL AND INTEREST REQUIREMENTS
JUNE 30, 2022

2018 School Building and Site Bonds, Series II

Fiscal Year	Interest Rate	Principal Due May 1	Principal Due November 1	Interest Due May 1	Interest Due November 1	Total Due Annually
2023	4.000%	$ -	$ 450,000	$ 657,231	$ 666,231	$ 1,773,463
2024	4.000%	-	445,000	648,331	657,231	1,750,563
2025	4.000%	-	500,000	638,331	648,331	1,786,663
2026	5.000%	-	1,010,000	613,081	638,331	2,261,413
2027	5.000%	500,000	2,340,000	554,581	613,081	4,007,663
2028	5.000%	500,000	2,445,000	483,456	544,581	3,973,038
2029	5.000%	530,000	2,590,000	408,706	473,456	4,002,162
2030	4.000%	545,000	2,725,000	340,956	395,456	4,006,413
2031	4.000%	625,000	2,775,000	277,281	332,781	4,010,063
2032	3.250%	740,000	2,800,000	223,765	267,516	4,031,281
2033	3.375%	860,000	2,825,000	165,834	211,741	4,062,575
2034	3.375%	120,000	2,925,000	101,963	151,322	3,298,284
2035	3.375%	-	900,000	84,750	99,938	1,084,688
2036	3.500%	-	900,000	69,000	84,750	1,053,750
2037	3.500%	-	900,000	53,250	69,000	1,022,250
2038	3.500%	-	900,000	37,500	53,250	990,750
2039	3.500%	-	900,000	21,750	37,500	959,250
2040	3.625%	-	200,000	18,125	21,750	239,875
2041	3.625%	-	200,000	14,500	18,125	232,625
2042	3.625%	-	200,000	10,875	14,500	225,375
2043	3.625%	-	200,000	7,250	10,875	218,125
2044	3.625%	-	200,000	3,625	7,250	210,875
2045	3.625%	-	200,000	-	3,625	203,625
Total 2018 bonded debt		$ 4,420,000	$ 29,530,000	$ 5,434,143	$ 6,020,622	$ 45,404,765

The above bonds dated March 22, 2018 were issued for the purpose of erecting, furnishing and equipping additions to and remodeling, refurnishing and re-equipping school district buildings; acquiring and installing educational technology system improvements and developing and improving playgrounds, play field, athletic fields and facilities and sites. The amount of the original bond issue was $35,335,000.

KENOWA HILLS PUBLIC SCHOOLS
BONDED DEBT - PRINCIPAL AND INTEREST REQUIREMENTS
JUNE 30, 2022

2020 School Building and Site Bonds, Series I

Fiscal Year	Interest Rate	Principal Due November 1	Interest Due May 1	Interest Due November 1	Total Due Annually
2023	5.000%	$ -	$ 191,639	$ 191,639	$ 383,278
2024	5.000%	-	191,639	191,639	383,278
2025	5.000%	-	191,639	191,639	383,278
2026	5.000%	-	191,639	191,639	383,278
2027	5.000%	-	191,639	191,639	383,278
2028	5.000%	-	191,639	191,639	383,278
2029	5.000%	-	191,639	191,639	383,278
2030	5.000%	-	191,639	191,639	383,278
2031	5.000%	-	191,639	191,639	383,278
2032	5.000%	-	191,639	191,639	383,278
2033	5.000%	-	191,639	191,639	383,278
2034	5.000%	-	191,639	191,639	383,278
2035	2.000%	1,450,000	177,139	191,639	1,818,778
2036	2.000%	1,450,000	162,639	177,139	1,789,778
2037	2.125%	1,450,000	147,233	162,639	1,759,872
2038	2.200%	1,490,000	130,843	147,233	1,768,076
2039	2.250%	1,490,000	114,080	130,843	1,734,923
2040	2.300%	1,490,000	96,945	114,080	1,701,025
2041	2.350%	1,490,000	79,438	96,945	1,666,383
2042	2.375%	1,450,000	62,219	79,438	1,591,657
2043	2.375%	1,450,000	45,000	62,219	1,557,219
2044	3.000%	1,500,000	22,500	45,000	1,567,500
2045	3.000%	1,500,000	-	22,500	1,522,500
Total 2020 bonded debt		$ 16,210,000	$ 3,337,704	$ 3,529,343	$ 23,077,047

The above bonds dated June 30, 2020 were issued for the purpose of erecting, furnishing and equipping additions to and remodeling, refurnishing and re-equipping school district buildings; acquiring and installing educational technology system improvements and developing and improving playgrounds, play field, athletic fields and facilities and sites. The amount of the original bond issue was $18,500,000.

KENOWA HILLS PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

Federal Grantor/Pass-through Grantor Program Title	Federal Assistance Listing Number	Pass-through Grantor's Number	Award Amount	Accrued (Unearned) Revenue 7/1/2021	Prior Year Expenditures (Memorandum Only)	Current Year Expenditures (Adjustments)	Current Year Receipts (Cash Basis)	Accrued (Unearned) Revenue 6/30/2022
U.S. Department of Agriculture								
Passed through Michigan Department of Education								
Child Nutrition Cluster								
Non-cash assistance (donated foods)								
Entitlement Donated Foods	10.555	N/A	$ 110,561	$ -	$ -	$ 110,561	$ 110,561	$ -
Cash assistance								
COVID-19 National School Lunch Program	10.555	220910	58,882	-	-	58,882	58,882	-
		211980	653	23	676	-	23	-
		221980	1,414	-	-	1,414	1,414	-
		211961	179,573	-	-	179,573	179,573	-
		221961	1,155,317	-	-	1,155,317	1,155,317	-
Total ALN 10.555			1,506,400	23	676	1,505,747	1,505,770	-
COVID-19 National School Breakfast Program	10.553	211971	102,607	-	-	102,607	102,607	-
		221971	634,349	-	-	634,349	634,349	-
Total ALN 10.553			736,956	-	-	736,956	736,956	-
COVID-19 Summer Food Service Program	10.559	210904	1,538,973	106,667	1,645,640	57,219	163,886	-
		200901	159,884	-	159,884	(2,223)	(2,223)	-
		220904	2,744	-	-	2,744	-	2,744
Total ALN 10.559			1,701,601	106,667	1,805,524	57,740	161,663	2,744
Total Child Nutrition Cluster			3,944,957	106,690	1,806,200	2,300,443	2,404,389	2,744
COVID-19 Pandemic EBT Local Level Costs	10.649	210980	3,063	-	-	3,063	3,063	-
COVID-19 Child Nutrition Discretionary Grants Limited Availability	10.579	201991	10,210	-	-	10,210	-	10,210
Total U.S. Department of Agriculture			3,958,230	106,690	1,806,200	2,313,716	2,407,452	12,954
U.S. Department of Education								
Passed through Michigan Department of Education								
Title I Grants to Local Educational Agencies	84.010	211530 2021	556,112	149,697	535,901	637	150,334	-
		221530 2122	497,136	-	-	488,614	380,890	107,724
Total ALN 84.010			1,053,248	149,697	535,901	489,251	531,224	107,724
Migrant Education State Grant Program	84.011	211890 2021	78,086	5,990	23,972	-	(17,981)	23,971
		211890 2122	95,823	-	-	1,423	10,097	(8,674)
Total ALN 84.011			173,909	5,990	23,972	1,423	(7,884)	15,297

The accompanying notes are an integral part of this schedule.

KENOWA HILLS PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

Federal Grantor/Pass-through Grantor Program Title	Federal Assistance Listing Number	Pass-through Grantor's Number	Award Amount	Accrued (Unearned) Revenue 7/1/2021	Prior Year Expenditures (Memorandum Only)	Current Year Expenditures (Adjustments)	Current Year Receipts (Cash Basis)	Accrued (Unearned) Revenue 6/30/2022
U.S. Department of Education (continued)								
Passed through Michigan Department of Education (continued)								
Supporting Effective Instruction State Grants	84.367	210520 2021	$ 102,204	$ 20,196	$ 58,549	$ -	$ 20,151	$ 45
		220520 2122	153,842	-	-	150,781	102,007	48,774
Total ALN 84.367			256,046	20,196	58,549	150,781	122,158	48,819
English Language Acquisition State Grants	84.365	210580 2021	26,774	9	23,301	-	9	-
Student Support & Academic Enrichment Program	84.424	210750 2021	41,533	10	25,288	1,694	1,704	-
		220750 2122	49,103	-	-	12,915	10,955	1,960
Total ALN 84.424			90,636	10	25,288	14,609	12,659	1,960
Education Stabilization Fund								
COVID-19 Governor's Emergency Education								
Relief Funds (GEER I Teacher and Support Staff Payments)	84.425C	201200 2021	199,826	90,603	199,798	-	90,603	-
Relief Funds (GEER II Teacher and Support Staff Payments)	84.425C	211202 2122	29,500	-	-	29,500	-	29,500
COVID-19 Elementary and Secondary School								
Emergency Relief Fund (ESSER I Formula Funds)	84.425D	203710 1920	450,365	131,097	444,880	-	131,097	-
Emergency Relief Fund (ESSER Education Equity Funds)	84.425D	203720 1920	81,065	57,709	81,065	-	57,709	-
Emergency Relief Fund (ESSER II Formula Funds)	84.425D	213712 2021	1,493,554	-	-	833,134	673,777	159,357
Emergency Relief Fund (ESSER II Summer Program K-8)	84.425D	213722 2122	215,600	-	-	215,600	-	215,600
Emergency Relief Fund (ESSER II Credit Recovery 9-12)	84.425D	213742 2122	32,594	-	-	32,594	-	32,594
Emergency Relief Fund (ESSER II Benchmark Assessment)	84.425D	213762 2122	25,000	-	-	24,150	24,150	-
Emergency Relief Fund (ESSER III Formula Funds)	84.425U	213713 2122	2,236,207	-	-	1,109,530	760,184	349,346
Total ALN 84.425			4,763,711	279,409	725,743	2,244,508	1,737,520	786,397
Education for Homeless Children and Youth	84.196	N/A	2,149	-	-	2,149	2,149	-
Total Passed through Michigan Department of Education			6,366,473	455,311	1,392,754	2,902,721	2,397,835	960,197
Passed through Kent Intermediate School District								
Special Education Cluster								
Special Education Preschool Grants	84.173	210460 2021	29,881	6,875	29,881	-	6,875	-
		220460 2122	32,979	-	-	32,979	23,865	9,114
COVID-19 Special Education Preschool Grants - American Rescue Plan	84.173X	221280 2122	8,189	-	-	8,189	1,910	6,279
Total ALN 84.173			71,049	6,875	29,881	41,168	32,650	15,393
Special Education Grants to States	84.027	210450 2021	867,512	175,933	867,512	-	175,933	-
		220450 2122	948,377	-	-	948,377	726,687	221,690
COVID-19 Special Education Grants to States - American Rescue Plan	84.027X	2212802122	111,817	-	-	111,817	85,444	26,373
Total ALN 84.027			1,927,706	175,933	867,512	1,060,194	988,064	248,063
Total Special Education Cluster			1,998,755	182,808	897,393	1,101,362	1,020,714	263,456
Total U.S. Department of Education			8,365,228	638,119	2,290,147	4,004,083	3,418,549	1,223,653

The accompanying notes are an integral part of this schedule.

KENOWA HILLS PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

Federal Grantor/Pass-through Grantor Program Title	Federal Assistance Listing Number	Pass-through Grantor's Number	Award Amount	Accrued (Unearned) Revenue 7/1/2021	Prior Year Expenditures (Memorandum Only)	Current Year Expenditures (Adjustments)	Current Year Receipts (Cash Basis)	Accrued (Unearned) Revenue 6/30/2022
U.S. Department of Health and Human Services								
Passed through Kent Intermediate School District								
Epidemiology and Laboratory Capacity for Infectious Diseases	93.323	N/A	$ 42,572	$ -	$ -	$ 42,572	$ -	$ 42,572
Medicaid Cluster - Medicaid Assistance Program	93.778	2022	10,511	-	-	10,511	10,511	-
Total U.S. Department of Health and Human Services			53,083	-	-	53,083	10,511	42,572
Federal Communications Commission								
COVID-19 Emergency Connectivity Fund Program	32.009	N/A	4,488	-	-	4,488	4,488	-
Total Federal Assistance			$ 12,381,029	$ 744,809	$ 4,096,347	$ 6,375,370	$ 5,841,000	$ 1,279,179

The accompanying notes are an integral part of this schedule.

KENOWA HILLS PUBLIC SCHOOLS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Kenowa Hills Public Schools under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Kenowa Hills Public Schools, it is not intended to and does not present the financial position or changes in net position of Kenowa Hills Public Schools.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3 - RECONCILIATION WITH AUDITIED FINANCIAL STATEMENTS

Federal expenditures are reported as revenue in the following funds in the financial statements:

General fund	$ 4,624,632
210 Building and Site fund	593,157
Other nonmajor governmental fund	2,310,653
Total federal revenue in the fund financial statements	7,528,442
Less: Federal tax credits	(593,157)
Less: Federal assistance funding not subject to single audit act	(559,915)
Expenditures per schedule of expenditures of federal awards	$ 6,375,370

Federal tax credit payments received on Qualified School Construction Bonds are not subject to the Single Audit Act.

Maner Costerisan

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

To the Board of Education
Kenowa Hills Public Schools

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Kenowa Hills Public Schools as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Kenowa Hills Public Schools' basic financial statements and have issued our report thereon dated October 21, 2022.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal controls, as described in the accompanying schedule of findings and questioned costs, that we consider to be a material weakness (2022-001).

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Kenowa Hills Public Schools' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Kenowa Hills Public Schools' Response to Findings

Kenowa Hills Public Schools' response to the findings identified in our audit is described in the accompanying corrective action plan. Kenowa Hills Public Schools' response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

Purpose of this Report

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

Maner Costerisan PC

October 21, 2022

Maner Costerisan

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

To the Board of Education
Kenowa Hills Public Schools

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Kenowa Hills Public 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 Kenowa Hills Public Schools' major federal programs for the year ended June 30, 2022. Kenowa Hills Public 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, Kenowa Hills Public Schools complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of Kenowa Hills Public 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 Kenowa Hills Public 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 Kenowa Hills Public 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 Kenowa Hills Public 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 Kenowa Hills Public 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 Kenowa Hills Public 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 Kenowa Hills Public 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 Kenowa Hills Public 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.

Maner Costerisan PC

October 21, 2022

KENOWA HILLS PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued based on financial statements prepared in accordance with generally accepted accounting principles:	*Unmodified*			
Internal control over financial reporting:				
➢ Material weakness(es) identified?	X	Yes		No
➢ Significant deficiency(ies) identified?		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?		Yes	X	None reported
Type of auditor's report issued on compliance for major programs:	*Unmodified*			
Any audit findings that are required to be reported in accordance with Title 2 CFR Section 200.516(a)?		Yes	X	No

Identification of major programs:

Assistance Listing Number(s)	Name of Federal Program or Cluster
84.425	Education Stabilization Fund
84.173 and 84.027	Special Education Cluster

Dollar threshold used to distinguish between type A and type B programs:	$ 750,000			
Auditee qualified as low-risk auditee?		Yes	X	No

Section II – Financial Statement Findings

Finding 2022-001 Considered a material weakness

Criteria: Kenowa Hills Public Schools should complete year-end closing activities in a timely manner.

Condition: The District did not perform certain year-end closing activities in a timely manner. The year-end closing activities that were delayed included adjusting journal entries to balance sheet accounts and review of bank reconciliations.

Cause: The June 30, 2022 accounts payable closing entries were not posted properly by the District. The accounts payable accrual entry incorrectly reduced cash as of June 30, 2022, rather than recording accounts payable. The District had to correct the error through and entry to increase cash and record accounts payable.

Effect: Inaccurate financial information may be used for management decisions and reporting.

Recommendation: We note that improvement was made from the prior year finding. The error noted above was caught and adjusted by management. However, the District should ensure that reconciliations are completed in a timely manner in order to correct any potential errors sooner.

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

Section III – Federal Award Findings

None.

KENOWA HILLS PUBLIC SCHOOLS
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2022

Kenowa Hills Public Schools respectfully submits the following corrective action plan for the year ended June 30, 2022.

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

Audit Period: Year ended June 30, 2022

District Contact Person: John Gilchrist, Director of Finance

The findings from the June 30, 2022 schedule of findings and responses are discussed below. The findings are numbered consistently with the number assigned in the schedule.

Finding - Financial Statement Audit

Finding 2022-001 Considered a material weakness

Recommendation: We note that improvement was made from the prior year finding. The error noted above was caught and adjusted by management. However, the District should ensure that reconciliations are completed in a timely manner in order to correct any potential errors sooner.

Action to be Taken: Management agrees with the finding and we are in the process of developing a plan as recommended.

KENOWA HILLS PUBLIC SCHOOLS
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2022

Section II – Financial Statement Findings

Finding 2021-001 Considered a material weakness

Criteria: Compliance with the State School Aid Act MCL (Michigan Compiled Laws) 388.1618(4)(e) states, no later than November 1 each year for reporting the prior fiscal year, a district shall file the annual financial audit reports with the intermediate district and with the department.

Condition: The District did not submit the audit reports within the required timeline.

Cause: The District experienced turnover in the current year, which caused the annual audit submission to be delayed.

Effect: **T**he annual audit report was not submitted within the required timeline and the November and December State Aid payments were withheld.

Recommendation: The District should establish year-end closing procedures in order to submit annual audit reports within the required timeline.

District's 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, 2022, this finding has been resolved.

Finding 2021-002 Considered a material weakness

Criteria: Kenowa Hills Public Schools should complete year-end closing activities in a timely manner.

Condition: The District did not perform year-end closing activities in a timely manner. The year-end closing activities that were delayed include adjusting journal entries to balance sheet accounts, review of bank reconciliations, the conversion of fiduciary funds to a special revenue fund in accordance with GASB 84, and capital asset reconciliation.

Cause: The District experienced turnover in the current year, which caused the year-end closing procedures to be delayed.

Effect: Inaccurate financial information may be used for management decisions and reporting.

Recommendation: We recommend the District establish improved controls for preparing and reviewing year-end reconciliations. The District should ensure that reconciliations are completed in a timely manner and agree to the general ledger.

District's 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, 2022, this finding had not been resolved. See Financial Statement Findings 2022-001.

Maner Costerisan

2425 E. Grand River Ave.,
Suite 1, Lansing, MI 48912
517.323.7500
517.323.6346

October 21, 2022

To the Board of Education
Kenowa Hills Public Schools

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, during our audit, we noted one matter involving the internal control and other operational matters that is presented for your consideration. This letter does not affect our report dated October 21, 2022 on the financial statements of Kenowa Hills Public Schools. We will review the status of this comment during our next audit engagement. Our comment and recommendation, which has been discussed with appropriate members of management, is intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss this comment in further detail at your convenience, perform any additional study of this matter, or assist you in implementing the recommendation. Our comment is summarized as follows.

Food Service Fund Balance

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

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

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

Very truly yours,

Maner Costerisan PC

Maner Costerisan
2425 E. Grand River Ave.,
Suite 1, Lansing, MI 48912
517.323.7500
517.323.6346

October 21, 2022

To the Board of Education
Kenowa Hills Public Schools

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Kenowa Hills Public Schools for the year ended June 30, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and OMB's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Kenowa Hills Public Schools are described in Note 1 to the financial statements. In the current year, the District adopted new accounting guidance, GASB No.87, *Leases*. The application of existing policies was not changed during fiscal year 2022. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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

> Estimates have been used to calculate the net pension liability and the net other postemployment benefit liability. We evaluated the key factors and assumptions used to develop the balance of the net pension liability and net other postemployment benefit liability in determining that they are reasonable in relation to the financial statements taken as a whole.
>
> Management's estimate in calculating the liability for employee compensated absences. We evaluated the key factors and assumptions used to develop the balance of employee compensated absences in determining that it is reasonable in relation to the financial statements taken as a whole.

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

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

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 21, 2022.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

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

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

Restriction on Use

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

Very truly yours,

Maner Costerisan PC