KENT INTERMEDIATE SCHOOL DISTRICT

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

YEAR ENDED JUNE 30, 2026

Maner Costerisan

TABLE OF CONTENTS

Page

INDEPENDENT AUDITOR'S REPORT 1-3

MANAGEMENT'S DISCUSSION AND ANALYSIS 4-14

BASIC FINANCIAL STATEMENTS 15

Government-wide Financial Statements
Statement of Net Position 16
Statement of Activities 17

Fund Financial Statements
Balance Sheet - Governmental Funds 18
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position 19
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds 20
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities 21

Internal Service Fund - Proprietary Fund Type
Statement of Net Position 22
Statement of Revenues, Expenses, and Changes in Net Position 23
Statement of Cash Flows 24

Notes to Financial Statements 25-53

REQUIRED SUPPLEMENTARY INFORMATION 54

Budgetary Comparison Schedule - General Fund 55
Budgetary Comparison Schedule - Special Education Fund 56
Budgetary Comparison Schedule - Career Technical Education Fund 57

Schedule of the Reporting Unit's Proportionate Share of the Net Pension Liability 58
Schedule of the Reporting Unit's Pension Contributions 59

Schedule of the Reporting Unit's Proportionate Share of the Net OPEB Liability (Asset) 60
Schedule of the Reporting Unit's OPEB Contributions 61

Notes to the Required Supplementary Information 62-70

ADDITIONAL SUPPLEMENTARY INFORMATION 71

Combining Balance Sheet - Nonmajor Governmental Funds 72
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds 73

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* 74-75

Maner Costerisan

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

2851 Charlevoix Dr SE #300,
Grand Rapids, MI 49546

517.323.7500

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Kent Intermediate School District

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Kent Intermediate School District, as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise Kent Intermediate School District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Kent Intermediate School District, as of June 30, 2026, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Kent Intermediate School District's basic financial statements. The accompanying additional supplementary information, as identified in the table of contents, including the schedule of expenditures of federal awards, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2026 on our consideration of Kent Intermediate School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Kent Intermediate School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Kent Intermediate School District's internal control over financial reporting and compliance.

Maner Costerisan PC

Lansing, Michigan
October 27, 2026

KENT INTERMEDIATE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

To understand our financial statements, you must first know Kent Intermediate School District (Kent ISD) and its purpose.

Created by state legislation in 1962 to serve local schools and act as a liaison between them and the Michigan Department of Education, Kent ISD is one of 56 intermediate school districts across the state. It is known for its regional cooperation and the strength of its programs. Kent ISD is a shared community resource, providing an extensive network of supportive service that helps families and local schools successfully grow preschoolers into graduates and lifelong learners.

Kent ISD offers a wide range of services focused on learning. Kent ISD serves the schools and communities of its 20 traditional public-school districts, along with non-public, home schools and charter schools. That means serving approximately 280 schools, 98,700 students and over 17,000 educators and staff, with programs and services that would be too resource-intensive or costly to maintain at a district level.

Kent ISD offers programs from "cradle to career", starting with its Early Childhood programming for young learners. Middle school and high school students utilize our MySchool at Kent hybrid online program, and high school students take advantage of the Kent Career Technical Center (KCTC), which provides a range of opportunities from pre-vocational experiences to highly advanced, career-oriented programs, as well as our Launch U middle college program. Kent ISD serves adult learners through its adult education programming, which includes career technical opportunities. For our special needs learners, the Kent ISD operates center based special education programming that ranges from early childhood to our Empower U transition program for students ages 18 to 26. As an educational advocate, Kent ISD helps make the needs of children and their schools known to community leaders, legislators, service agencies, and media.

Our Educational Service Center (ESC) hosts our educational partners for training and professional meetings. Through research and development of effective curriculum, professional development is provided to districts through our instructional services department, which includes the English Language Arts, Social Studies, Mathematics, Science, School Improvement, and Educational Technology. Our student services department provides professional development, support and coaching for special education instruction and mental health services within our county. Other ancillary services such as the regional educational media center (REMC8) and our truancy department provide support to educators, students, and staff throughout Kent County.

Our Hybrid School (MySchool@Kent) combines online and face-to-face learning, featuring highly qualified and Michigan certified teachers. MySchool@Kent is a middle and high school program for students who need a second chance, allow for flexible scheduling so students can fit in electives, take a college course, work ahead, or make up credits. Students in these programs receive a laptop and wireless card for learning anytime, anyplace and at the student's own pace. While learning takes place mostly online, students meet twice each week in "learning lab" sessions for face-to-face instruction, tutoring, and project teamwork.

Our Launch U early middle college program started in the fall of 2017. This program allows high school students four different options to either an associate degree or specialized credentials. Students can earn an associate degree or design certificate in Mechanical Design, Computer Support Specialist, or an Associate of Arts degree from Grand Rapids Community College. Students begin the program in 10th grade and finish after a 13th year of schooling. The program is free to students.

Our Kent Career/Technical Center (KCTC) serves over 2,500 students in 26 career and technical programs, from over 65 public and private high schools (as well as many homeschooled students) in Kent County. KCTC provides students with quality training in career and technical programs that include technical training, academic core content integration, and credit articulation with many post-secondary education programs. KCTC also offers regional CTE pathway programs including medical assisting at Davenport University, construction & electrical at West Michigan Construction Institute, pre-med at Grand Valley State University, and woodworking technology at Next Step of West Michigan. Our secondary programs are also supported by our Work-Based Learning program, which provides a continuum of experiences that progress in quality and intensity. The goal of the Work-Based learning program is to provide students advanced real-world experiences to help link their educational decisions to career options. Over 600 students participate in Work-Based Learning and 88 companies partnered with the Kent ISD.

KCTC also provides a wide variety of entry-level job skills, pre-vocational exploration courses, and introduction to career technical programs for over 250 students who struggle academically and learn better hands on. The extensive process in our Discovery Center helps students analyze their interests and abilities and choose the best program for them. Approximately 150 area companies serve as business partners for students to learn on the job.

Our Center Based Special Education Programs service approximately 900 students on behalf of our local districts. Early On, Hearing Impaired, and 18–26-year-old transition programming are all offered along with programming for students with higher disabilities. These programs provide educational and cost efficiencies for our local districts.

The purpose of management's discussion and analysis (MD&A) is to help the District's residents and other readers understand what the financial statements and notes in this financial report say about the District's financial health and why it changed since last year. It contains information drawn from those other parts of the report, accompanied by explanations informed by the finance staff's knowledge of the District's finances.

If you have any questions about this report or need any additional information, please contact Kevin Philipps, Assistant Superintendent-Administrative Services, Kent Intermediate School District, 2930 Knapp NE, Grand Rapids, Michigan 49525.

OVERVIEW OF THE FINANCIAL STATEMENTS

The District's financial report contains basic financial statements. Those financial statements present the District's finance at both an overall and a detailed level. The first two - the *government-wide financial statements* - cover the District's governmental activities. (See the diagram in Figure A-1.)

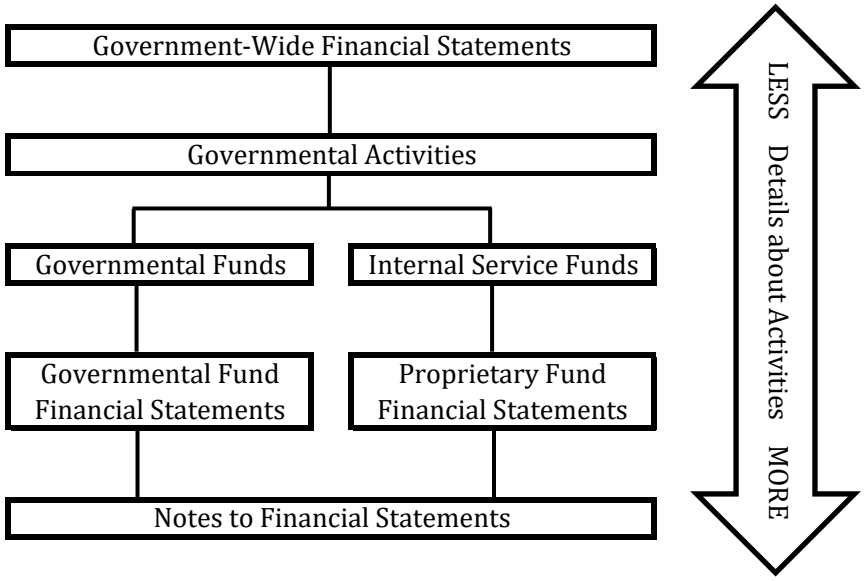
- *Governmental Activities* comprise of the District's most basic functions, such as instruction, support services, community services, student/school activities, interest on long-term debt, interdistrict transactions, and unallocated depreciation/amortization. Governmental activities primarily are financed by property taxes from non-principal residence exemption properties, state aid foundation, and federal grants. These statements provide both short-term and long-term information.

The remaining basic financial statements present the District's finances in greater detail. As their name implies, the fund financial statements disaggregate financial information by separate funds to report on the specific purposes for which resources are used or for which they are restricted. The District reports two groups of funds:

- *Governmental Fund Financial Statements* report all of the governmental activities. In addition to the District's main operating fund - the general fund - those financial statements report special revenue funds that track the use of restricted or committed funding sources, and capital projects funds to account for resources used to acquire or construct long-lived assets.

- *Proprietary Fund Financial Statements* report the services provided to District departments *(internal service funds).*

Figure A-1. Contents of the District's Basic Financial Statements



The next section of this financial report contains *notes to financial statements*, which delve deeper into the District's finances as reported in the financial statements. The information in the notes is as important to understanding the District's finances as the information in the financial statements. The District uses notes to (1) present information in greater detail than is possible within the financial statements themselves, (2) explain the nature of amounts reported in the financial statements and how those amounts were determined, and (3) report certain information that does not meet the requirements for inclusion in the financial statements (such as certain contingencies).

TYPES OF INFORMATION IN THE FINANCIAL STATEMENTS

All of the District's financial statements, except for the governmental fund financial statements, use the economic resources measurement focus and accrual basis of accounting. (See Figure A-2.) In other words, they comprehensively report all types of financial statement elements:

- *Assets* - resources the District controls, from short-term assets like cash and cash equivalents to long-term assets like buildings and transportation equipment.

- *Liabilities* - amounts the District owes, from short-term liabilities such as salaries and related items to long-term liabilities such as outstanding debt and pension obligations.

- *Deferred Outflows of Resources and Deferred Inflows of Resources* - flows that occurred during the year, or in prior years, that will not be reported as expenses and revenues until the future year to which they are related.

- *Revenues and Expenses* - inflows and outflows of economic resources, respectively, related to the current year.

Governmental fund financial statements use the current financial resources measurement focus and modified accrual basis of accounting to report on the sources, uses, and balances of current financial resources. The governmental funds do not report nonfinancial assets, such as capital assets, or certain other long-term items, such as compensated absences, but they do report the flows of current financial resources related to those long-term items; for example, the proceeds from issuing subscription-based IT arrangements or selling equipment.

Figure A-2. Types of Information Reported in the District's Financial Statements

	Financial Statements		
	Government-wide	Proprietary Fund	Governmental Funds
Types of assets and liabilities	* All assets and liabilities, both financial and nonfinancial, short term and long term		* Only current financial resources, such as cash, receivables, and accounts payable
Types of revenues/ additions	* All types of revenues/additions that flow into the District during the year that relate to that year, regardless of when cash is received		* Only revenues that are measurable and available to finance expenditures of that year
Types of expenses/ deductions/ expenditures	* All types of expenses/deductions that flow out of the District during the year that relate to that year, regardless of when cash is paid		* Only expenditures for which the related governmental fund liability is incurred in that year
Types of deferred outflows of resources and deferred inflows of resources	* All types of resources that flow into and out of the District during the year that relate to a future year		* Current financial resources that flow into and out of the governmental funds during the year that related to a future year

More detail about the measurement focuses and bases of accounting can be found in the first note to financial statements, the summary of significant accounting policies.

ANALYSIS OF THE DISTRICT'S FINANCES

Table A-1
Kent Intermediate School District's Net Position (in millions)

	2026	2025*	Dollar Change	Total Percentage Change
Current and other assets	$ 186.5	$ 189.3	$ (2.8)	-1.5%
Capital assets, net of depreciation/amortization	93.5	87.1	6.4	7.3%
Total assets	280.0	276.4	3.6	1.3%
Deferred outflows of resources	53.7	87.8	(34.1)	-38.8%
Other liabilities	64.5	75.7	(11.2)	-14.8%
Noncurrent liabilities	159.4	231.9	(72.5)	-31.3%
Total liabilities	223.9	307.6	(83.7)	-27.2%
Deferred inflows of resources	126.8	127.0	(0.2)	-0.2%
Net position				
Net invested in capital assets	91.6	85.8	5.8	6.8%
Restricted	38.6	39.9	(1.3)	-3.3%
Unrestricted	(147.2)	(196.1)	48.9	24.9%
Total net position	$ (17.0)	$ (70.4)	$ 53.4	75.9%

*The 2025 numbers have not been updated for restatement

Table A-1 shows that as of June 30, 2026, the District's total net position - assets and deferred outflows minus liabilities and deferred inflows - was ($17.0) million, an increase of $53.4 million or 75.9% compared with 2025. This increase is primarily due to a $5.8 million or 6.8% increase in net investment in capital assets, a ($1.3) million or 3.3% decrease in restricted net position, and a $48.9 million or 24.9% increase in unrestricted net position. The following sections of MD&A analyze the finances of the governmental activities.

GOVERNMENTAL ACTIVITIES

Table A-2 shows that revenues continued to exceed expenses in the current year, resulting in an increase in net position. Various events contributed to this increase in net position; however, the primary factors affecting the change in net position are as follows:

1. Increases in operating grants and contributions.
2. Growth in the taxable value of non-principal residential exempt properties.
3. Decrease in other revenue.
4. Continued improvement of the funding status of pension and OPEB.

Table A-2
Changes in Kent Intermediate School District's Net Position (in millions)

	2026	2025	Dollar Change	Total Percentage Change
Revenues				
Program revenues				
Charges for services	$ 37.9	$ 38.5	$ (0.6)	-1.6%
Operating grants and contributions	110.9	101.7	9.2	9.0%
General revenues				
Property taxes	194.6	184.9	9.7	5.2%
Unrestricted aid	95.4	96.4	(1.0)	-1.0%
Other	10.8	13.2	(2.4)	-18.2%
Total revenues	449.6	434.7	14.9	3.4%
Expenses				
Instruction	56.0	64.9	(8.9)	-13.7%
Support services	118.3	122.9	(4.6)	-3.7%
Community services	1.5	1.8	(0.3)	-16.7%
Student/school activities	0.2	0.2	(0.0)	0.0%
Interdistrict transactions	218.2	207.6	10.6	5.1%
Other	3.8	2.9	0.9	31.0%
Total expenses	398.0	400.2	(2.2)	-0.5%
Change in net position	$ 51.6	$ 34.5	$ 17.1	49.6%

Increase in Operating Grants and Contributions

There was a notable increase in operating grants and contributions compared to the prior year, which accounts for 24.7% of overall revenues. This increase was primarily attributable to higher interdistrict grant revenue received and administered by the District on behalf of participating local districts. The additional grant funding supported expanded instructional services, special education programs, professional development initiatives, and other educational services provided throughout Kent County.

Growth in Taxable Values

Property tax revenues increased in the current year compared to the prior year, which accounts for 43.1% of overall revenues. Property tax revenues are a product of the taxable values of non-principal residential exempt properties. The taxable values across all of the District's taxing authorities grew approximately 6% in the current year, resulting in the overall increase in property tax revenues.

Decrease in Other Revenue

There was a notable decrease in other revenue compared to the prior year, which accounts for 2.4% of overall revenues. The decrease was primarily attributable to less favorable investment returns as of June 30, 2026, compared to June 30, 2025, due to various investment market facto. Additionally, state payments in lieu of taxes saw a decrease as a result of changes in taxable values and assessment calculations.

Continued Improvement of the Funding Status of Pension and OPEB

Although fund-level expenses increased by approximately $23.0 million compared to 2025, government-wide expenses remained consistent with the prior year. The increase in fund-level expenses was offset by approximately $37.7 million in additional positive adjustments related to pension and OPEB items. The $37.7 million in additional positive adjustments related to pension and OPEB items was further offset by a $0.9 million increase in depreciation/amortization expense in the current year due to various large additions taking their first year of depreciation and amortization in fiscal year 2026. Lastly, the $37.7 million in additional positive adjustments related to pension and OPEB items continued to be offset by a $10.6 million increase in amounts passed through to other districts.

GOVERNMENTAL FUNDS

The District reports four major funds individually in the governmental fund financial statements. These funds are the general fund, special education fund, career technical education fund, and the special education - capital projects fund. Most of the discussion regarding governmental activities is equally applicable to the finances of this governmental fund. However, certain factors that are relevant to the District's current financial health are more apparent in the fund financial statements than in the government-wide statements. The changes are shown in Table A-3 and are discussed in more detail below.

Table A-3
Revenues, Expenditures, and Changes in Fund Balances

	General Fund		Special Education Fund		Career Technical Education Fund		Capital Projects - Special Education	
	2026	2025	2026	2025	2026	2025	2026	2025
REVENUES	$ 82,619,617	$ 77,324,809	$ 270,429,274	$ 259,179,257	$ 40,564,589	$ 39,894,256	$ 4,185,859	$ 3,851,021
EXPENDITURES	85,996,632	78,085,891	260,236,266	249,335,737	37,793,906	35,778,695	4,715,178	4,191,625
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(3,377,015)	(761,082)	10,193,008	9,843,520	2,770,683	4,115,561	(529,319)	(340,604)
OTHER FINANCING SOURCES (USES)								
Proceeds from the sale of capital assets	-	-	-	-	9,087	16,710	-	-
Proceeds from leases	-	-	-	-	-	259,620	-	-
Proceeds from subscription-based IT arrangements	-	561,963	1,982,707	410,476	176,090	303,710	-	-
Transfers in	4,747,495	4,453,469	487,387	462,519	4,297,621	3,469,734	10,160,109	1,456,268
Transfers out	(2,946,478)	(2,857,489)	(17,547,808)	(5,226,075)	(13,604,838)	(4,051,713)	(53,995)	(123,114)
TOTAL OTHER FINANCING SOURCES (USES)	1,801,017	2,157,943	(15,077,714)	(4,353,080)	(9,122,040)	(1,939)	10,106,114	1,333,154
NET CHANGE IN FUND BALANCE	(1,575,998)	1,396,861	(4,884,706)	5,490,440	(6,351,357)	4,113,622	9,576,795	992,550
Fund balances, as previously presented	9,712,634	10,072,601	23,493,885	18,003,445	25,306,978	21,193,356	-	5,240,471
Adjustments to beginning fund balances	1,756,828	-	-	-	-	-	6,233,021	-
Beginning of year, as restated	11,469,462	-	-	-	-	-	6,233,021	-
Fund balance - end of year	$ 9,893,464	$ 11,469,462	$ 18,609,179	$ 23,493,885	$ 18,955,621	$ 25,306,978	$ 15,809,816	$ 6,233,021

Fund balance represents the financial standing of a governmental fund at the end of the fiscal year from a short-term perspective.

General Fund

The fund balance of the District's general fund decreased by 13.7%. The decline in fund balance is attributable to the District's cost of operating and transfers out being greater than the amount of revenue recognized. As expenditures increased from $78.1 million to $86.0 million due to additional staffing costs across multiple functions and an increase in amounts passed through to other districts. Revenues increased from $77.3 million to $82.6 million due to additional state sources recognized netted with a reduction in federal revenue received.

The overall fund balance at the end of June 30, 2026, represented approximately 11.5% of operating expenditures. Within fund balance, approximately 93.8% of the balance is considered unassigned. The remaining 6.2% is considered either nonspendable or committed and is not readily available for use.

Special Education Fund

Within the special education fund, approximately 91.5% of the balance is considered restricted. The remaining 8.5% is considered either nonspendable or committed and is not readily available for use.

Career Technical Education Fund

Within the career technical education fund, approximately 45.4% of the balance is considered restricted. The remaining 54.6% is considered either nonspendable or committed and is not readily available for use.

Special Education - Capital Projects Fund

The fund balance increased $9.6 million, or 153.65%, due to transfers in from other funds related to future capital needs being greater than current capital outlay expended.

SIGNIFICANT CAPITAL ASSET AND LONG-TERM OBLIGATIONS

Capital Assets

The discussion thus far has only touched upon certain significant transactions and events during 2026 with respect to capital assets and long-term obligations. Overall, the carrying value of capital assets - original cost minus accumulated depreciation - increased 7.3% over 2025. See Table A-4 for the carrying value of capital assets.

Table A-4
Kent Intermediate School District's Capital Assets

	2026	2025	Total Percentage Change
Land	$ 7,209,166	$ 5,187,380	39.0%
Construction in progress	13,431,727	11,364,557	18.2%
Right to use - leased equipment	511,385	1,440,738	-64.5%
Right to use - subscription-based IT arrangements	3,366,686	2,053,835	63.9%
Buildings and structures	110,658,554	108,729,286	1.8%
Furniture and equipment	42,602,423	39,937,544	6.7%
Vehicles	1,630,841	1,398,033	16.7%
Total capital assets	179,410,782	170,111,373	5.5%
Less accumulated depreciation	85,943,068	83,040,134	3.5%
Total capital assets, net	$ 93,467,714	$ 87,071,239	7.3%

A significant reason for the increase in the net capital assets relates to the land, construction in progress, right to use - subscription-based IT arrangements, and vehicles category. During 2026, the District purchased land for the CTE South Campus in the amount of $2.0 million resulting in a 39.0% increase to this capital asset category. The construction in progress category increased as a result of ongoing renovations to various buildings and lots district-wide resulting in an 18.2% increase to this capital asset category. The District also purchased $2.1 million in various multi-year software support district-wide resulting in a 63.9% increase to the right to use - subscription-based IT arrangements category. Lastly, the District purchased three vehicles in fiscal year 2026 resulting in a 16.7% increase to the vehicles capital asset category.

Long-term Obligations

Overall, the carrying value of the District's long-term obligations increased by 32.3% from the prior year. See Table A-5 for the carrying value of the District's long-term obligations.

Table A-5
Kent Intermediate School District's
Outstanding Long-term Obligations

	2026	2025	Total Percentage Change
Compensated absences	$ 3,364,995	$ 2,756,509	22.1%
Notes from direct borrowings and direct placements	1,932,618	1,247,232	55.0%
	$ 5,297,613	$ 4,003,741	32.3%

During 2026, the District entered into four multi-year software support subscription-based IT arrangements. This is the primary reason for the increase in notes from direct borrowings and direct placements. Additionally, compensated absences increased 22.1%. The increase to compensated absences is primarily driven by various assumption changes district-wide regarding sick payout. Most notably, the teacher group saw a large change in assumption regarding sick time usage in fiscal year 2026.

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

There are several factors that could significantly affect the financial health of the District in the future.

- The District levies four millages to support operational activities and provide funding to our local districts. In 2026-27, the general fund will levy 0.0831 mills, the special education fund 3.4470 mills, the career technical education fund 0.9204 mills, and the regional enhancement millage will levy 0.8401 mills to provide additional operating funding to local districts in Kent County.

- Revenue from these millages will increase by 5.26% in 2026-27, providing an additional $10.4 million. Taxable values in Kent County have grown by 60% in the last 10 years. The District anticipates continued growth in revenue from these millages, but potentially at a smaller annual increase.

- The District is benefitting from funding increases provided by the State of Michigan in 2026-27. Great Start Readiness funding for pre-school children was increased by 10.2%. Funding for adult education programming increased by over 20%. Career Technical Education at the state level was also increased by 10%.

- The District is currently in the planning stages to construct a second career technical education campus to support significant growth in students requesting career technical education experiences. The second campus is scheduled to open for students in the Fall of 2029.

- To support the construction of the second CTE campus, the District is currently projecting to sell between $25 and $30 million in bonds. The debt service on these bonds will be paid from the career technical education millage.

- The District's collective bargaining agreements expire on June 30, 2027. The District anticipates negotiating successor agreements with the nine collective bargaining groups later in the fiscal year. The District will monitor the financial impact of future negotiations as part of its financial planning.

- Kent Intermediate School District is committed to finding the most cost-effective ways to make efficient use of the resources entrusted to us while maximizing the programs and services provided to its local schools.

BASIC FINANCIAL STATEMENTS

KENT INTERMEDIATE SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2026

	Governmental Activities
ASSETS	
Cash and cash equivalents	$ 2,893,526
Investments	102,853,335
Accounts receivable	687,816
Intergovernmental receivable	40,718,644
Taxes receivable	75,108
Inventories	223,633
Prepaids	389,092
Net other postemployment benefits asset	38,658,230
Capital assets not being depreciated/amortized	20,640,893
Capital assets, net of accumulated depreciation/amortization	72,826,821
TOTAL ASSETS	279,967,098
DEFERRED OUTFLOWS OF RESOURCES	
Related to other postemployment benefits	8,187,998
Related to pension	45,484,138
TOTAL DEFERRED OUTFLOWS OF RESOURCES	53,672,136
LIABILITIES	
Accounts payable	8,894,966
Accrued salaries and related items	8,127,723
Retainage payable	260,143
Accrued retirement	5,923,221
Intergovernmental payable	15,931,927
Unearned revenue	25,326,486
Noncurrent liabilities	
Due within one year	1,017,826
Due in more than one year	4,279,787
Net pension liability	154,078,415
TOTAL LIABILITIES	223,840,494
DEFERRED INFLOWS OF RESOURCES	
Related to other postemployment benefits	33,221,465
Related to pension	81,731,690
Related to state aid funding for pension	11,861,996
TOTAL DEFERRED INFLOWS OF RESOURCES	126,815,151
NET POSITION	
Net investment in capital assets	91,535,096
Restricted for net other postemployment benefits	38,658,230
Unrestricted	(147,209,737)
TOTAL NET POSITION	$ (17,016,411)

See accompanying notes to financial statements.

KENT INTERMEDIATE SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2026

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	$ 56,029,900	$ 283,857	$ 16,166,544	$ (39,579,499)
Supporting services	118,307,775	37,589,369	20,304,560	(60,413,846)
Community services	1,483,092	-	1,225,072	(258,020)
Student/school activities	173,923	-	269,351	95,428
Interest on long-term debt	25,688	-	-	(25,688)
Interdistrict transactions	218,148,659	-	72,894,090	(145,254,569)
Unallocated depreciation/amortization	3,828,132	-	-	(3,828,132)
Total governmental activities	$ 397,997,169	$ 37,873,226	$ 110,859,617	(249,264,326)
General revenues				
Property taxes, levied for general purposes				3,058,115
Property taxes, levied for special education				123,149,733
Property taxes, levied for career and technical education				30,218,467
Property taxes, levied for community service				30,902,001
Property taxes, levied for capital projects				7,272,439
Unrestricted state school aid				72,771,471
Revenues not restricted to specific programs				22,702,519
Payments received in lieu of taxes				4,794,401
Investment earnings				6,018,660
Total general revenues				300,887,806
CHANGE IN NET POSITION				51,623,480
NET POSITION, beginning of year as previously reported				(70,396,719)
Adjustment to beginning net position				1,756,828
NET POSITION, beginning of year as restated				(68,639,891)
NET POSITION, end of year				$ (17,016,411)

See accompanying notes to financial statements.

KENT INTERMEDIATE SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2026

	General Fund	Special Revenue: Special Education	Special Revenue: Career Technical Education	Capital Projects: Special Education	Total Nonmajor Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	$ 537,412	$ 572,883	$ 498,210	$ 74,883	$ 481,115	$ 2,164,503
Investments	22,894,155	23,852,786	19,093,180	18,035,542	18,977,672	102,853,335
Accounts receivable	601,817	8,858	64,987	716	11,438	687,816
Taxes receivable	1,331	53,605	4,586	1,587	13,999	75,108
Intergovernmental receivable	13,178,135	25,738,885	1,147,587	2,111	651,926	40,718,644
Inventories	-	-	223,633	-	-	223,633
Prepaids	109,455	79,948	121,710	-	30,947	342,060
TOTAL ASSETS	$ 37,322,305	$ 50,306,965	$ 21,153,893	$ 18,114,839	$ 20,167,097	$ 147,065,099
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	$ 1,571,974	$ 4,105,795	$ 437,714	$ 2,166,496	$ 612,987	$ 8,894,966
Retainage payable	-	-	-	138,261	121,882	260,143
Accrued salaries and related items	1,088,290	5,461,283	1,329,926	-	248,224	8,127,723
Accrued retirement	4,637,349	982,633	257,193	-	46,046	5,923,221
Intergovernmental payable	4,739,248	11,036,433	30,458	266	125,522	15,931,927
Due to other funds	167,862	19,494	132,761	-	5,870	325,987
Unearned revenue	15,224,118	10,092,148	10,220	-	-	25,326,486
TOTAL LIABILITIES	27,428,841	31,697,786	2,198,272	2,305,023	1,160,531	64,790,453
FUND BALANCES						
Nonspendable						
Inventories	-	-	223,633	-	-	223,633
Prepaids	109,455	79,948	121,710	-	30,947	342,060
Restricted						
Special education	-	17,029,231	-	-	-	17,029,231
Career technical education	-	-	8,610,278	-	-	8,610,278
Committed						
Center program facility needs	-	-	-	14,262,569	1,000,000	15,262,569
Career Technical Education program facility needs	-	-	10,000,000	-	-	10,000,000
Other capital needs	500,000	1,500,000	-	500,000	12,004,085	14,504,085
Cooperative education	-	-	-	-	2,813,224	2,813,224
Student/school activities	-	-	-	-	1,357,654	1,357,654
Assigned						
Capital projects	-	-	-	1,047,247	1,800,656	2,847,903
Unassigned	9,284,009	-	-	-	-	9,284,009
TOTAL FUND BALANCES	9,893,464	18,609,179	18,955,621	15,809,816	19,006,566	82,274,646
TOTAL LIABILITIES AND FUND BALANCES	$ 37,322,305	$ 50,306,965	$ 21,153,893	$ 18,114,839	$ 20,167,097	$ 147,065,099

See accompanying notes to financial statements.

KENT INTERMEDIATE SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2026

Fund balances - total governmental funds	$ 82,274,646
Amounts reported for governmental activities in the statement of net position are different because:	
Deferred outflows of resources - related to pension	45,484,138
Deferred inflows of resources - related to pension	(81,731,690)
Deferred inflows of resources - related to state aid funding for pension	(11,861,996)
Deferred outflows of resources - related to other postemployment benefits	8,187,998
Deferred inflows of resources - related to other postemployment benefits	(33,221,465)
An internal service fund is used by management to charge the costs of certain activities, such as compensated absences and insurance, to individual funds. The assets and liabilities of the internal service fund are included in governmental activities:	
Deduct - net position of governmental activities accounted for in the internal service fund	(2,262,953)
Some assets are not current financial resources and therefore are not reported in the Governmental Funds Balance Sheet.	
Noncurrent assets at year-end consist of:	
Net other postemployment benefits asset	38,658,230
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:	
Add - capital assets not being depreciated/amortized	20,640,893
Add - capital assets being depreciated/amortized, net	72,826,821
Long-term obligations are not due and payable in the current period and are not reported in the funds:	
Direct borrowing and direct placement	(1,932,618)
Net pension liability	(154,078,415)
Net position of governmental activities	$ (17,016,411)

See accompanying notes to financial statements.

KENT INTERMEDIATE SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2026

	General Fund	Special Revenue: Special Education	Special Revenue: Career Technical Education	Capital Projects: Special Education	Total Nonmajor Governmental Funds	Total Governmental Funds
REVENUES						
Local sources						
Property taxes	$ 3,058,115	$ 123,149,733	$ 30,218,467	$ 3,636,223	$ 34,538,217	$ 194,600,755
Investment earnings	1,158,401	2,785,971	1,387,239	322,224	364,825	6,018,660
Student/school activities	-	-	-	-	269,351	269,351
Other	2,039,189	14,900,893	662,375	29,076	387,613	18,019,146
Total local sources	6,255,705	140,836,597	32,268,081	3,987,523	35,560,006	218,907,912
State sources	71,660,442	64,844,843	6,555,106	98,449	1,102,928	144,261,768
Federal sources	3,825,570	35,045,895	1,526,984	99,887	69,877	40,568,213
Interdistrict	877,900	29,701,939	214,418	-	3,633,486	34,427,743
TOTAL REVENUES	82,619,617	270,429,274	40,564,589	4,185,859	40,366,297	438,165,636
EXPENDITURES						
Current						
Instruction	15,757,252	36,629,085	16,407,641	-	1,827,340	70,621,318
Supporting services	29,326,955	75,242,482	20,607,134	-	3,720,059	128,896,630
Community services	1,836,449	968	-	-	-	1,837,417
Student/school activities	-	-	-	-	190,679	190,679
Interdistrict transactions	38,921,061	147,708,687	244,322	-	31,274,589	218,148,659
Capital outlay	-	-	182,052	4,715,178	6,875,951	11,773,181
Debt service						
Principal	150,771	642,178	344,079	-	-	1,137,028
Interest	4,144	12,866	8,678	-	-	25,688
TOTAL EXPENDITURES	85,996,632	260,236,266	37,793,906	4,715,178	43,888,618	432,630,600
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(3,377,015)	10,193,008	2,770,683	(529,319)	(3,522,321)	5,535,036
OTHER FINANCING SOURCES (USES)						
Proceeds from the sale of capital assets	-	-	9,087	-	-	9,087
Proceeds from subscription-based IT arrangements	-	1,982,707	176,090	-	-	2,158,797
Transfers in	4,747,495	487,387	4,297,621	10,160,109	15,061,306	34,753,918
Transfers out	(2,946,478)	(17,547,808)	(13,604,838)	(53,995)	(600,799)	(34,753,918)
TOTAL OTHER FINANCING SOURCES (USES)	1,801,017	(15,077,714)	(9,122,040)	10,106,114	14,460,507	2,167,884
NET CHANGE IN FUND BALANCES	(1,575,998)	(4,884,706)	(6,351,357)	9,576,795	10,938,186	7,702,920
FUND BALANCES						
Fund balances, as previously presented	9,712,634	23,493,885	25,306,978	-	14,301,401	72,814,898
Adjustments to beginning fund balances	1,756,828	-	-	6,233,021	(6,233,021)	1,756,828
Beginning of year, as restated	11,469,462	23,493,885	25,306,978	6,233,021	8,068,380	74,571,726
End of year	$ 9,893,464	$ 18,609,179	$ 18,955,621	$ 15,809,816	$ 19,006,566	$ 82,274,646

See accompanying notes to financial statements.

KENT INTERMEDIATE SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2026

Net change in fund balances - total governmental funds	$ 7,702,920
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation/amortization expense.	
Add - capital outlay	13,444,026
Deduct - depreciation/amortization expense	(7,195,122)
Gain on disposal of capital assets	147,571
The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The effect of these differences is the treatment of long-term debt and related items and are as follows:	
Proceeds from subscription-based IT arrangements	(2,158,797)
Lease modifications	336,383
Principal payments	1,137,028
Internal service funds are used by management to charge the costs of certain personnel costs to individual funds. The net increase in the net position of the internal service funds are reported with governmental activities.	
Deduct - net loss for the internal service fund	(373,891)
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.	
Pension related items	26,794,917
Other postemployment benefits related items	10,899,299
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.	
State aid funding for pension, beginning of year	12,751,142
State aid funding for pension, end of year	(11,861,996)
Change in net position	$ 51,623,480

See accompanying notes to financial statements.

KENT INTERMEDIATE SCHOOL DISTRICT
STATEMENT OF NET POSITION
INTERNAL SERVICE FUND
JUNE 30, 2026

	Internal Service Fund
ASSETS	
Cash and cash equivalents	$ 729,023
Due from other funds	325,987
Prepaids	47,032
TOTAL ASSETS	1,102,042
LIABILITIES	
Compensated absences payable within one year	384,748
Compensated absences, net of current portion	2,980,247
TOTAL LIABILITIES	3,364,995
NET POSITION	
Unrestricted	$ (2,262,953)

See accompanying notes to financial statements.

KENT INTERMEDIATE SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
INTERNAL SERVICE FUND
YEAR ENDED JUNE 30, 2026

	Internal Service Fund
OPERATING REVENUES	
Charges for services	$ 10,565,867
OPERATING EXPENSES	
Personnel services	10,932,019
Other services	7,739
TOTAL OPERATING EXPENSES	10,939,758
CHANGE IN NET POSITION	(373,891)
NET POSITION	
Beginning of year	(1,889,062)
End of year	$ (2,262,953)

See accompanying notes to financial statements.

KENT INTERMEDIATE SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUND
YEAR ENDED JUNE 30, 2026

	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from interfund services provided	$ 10,178,525
Payments to employees	(10,323,533)
Payments to vendors	(7,739)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(152,747)
CASH AND CASH EQUIVALENTS	
Beginning of year	881,770
End of year	$ 729,023
CASH FLOWS FROM OPERATING ACTIVITIES	
Operating loss	$ (373,891)
Adjustments to reconcile operating loss to net cash used by operating activities	
Changes in operating assets and liabilities which provided cash	
Due from other funds	(387,342)
Compensated absences	608,486
NET CASH USED BY OPERATING ACTIVITIES	$ (152,747)

See accompanying notes to financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

Description of Government-wide Financial Statements

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

Basis of Presentation - Government-wide Financial Statements

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

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

Basis of Presentation - Fund Financial Statements

The fund financial statements provide information about the District's funds. Separate statements for each fund category - governmental, and proprietary - 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 and the proprietary internal service fund are reported separately in the 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 *Special Education Fund* accounts for revenue sources that are legally restricted to expenditures for special education.

The *Career Technical Education Fund* accounts for revenue sources that are legally restricted to expenditures for career services and technical education.

The *Special Education - Capital Projects Fund* accounts for the receipt of tax and debt proceeds and transfers from other funds, and the acquisition of capital assets or construction of major capital projects.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation - Fund Financial Statements (continued)

The District reports the following *Other Nonmajor Funds*:

The *Special Revenue Funds* account for revenue sources that are to be used for cooperative education, community service purposes, and student/school activities.

The *General and Career Technical Education - Capital Projects Funds* account for the receipt of tax and debt proceeds and transfers from other funds, and the acquisition of capital assets or construction of major capital projects.

The *Internal Service Fund* accounts for earned, but unused, sick, vacation, and termination benefits that the ISD may be liable for upon employee retirement or termination. This fund also accounts for employee health insurance benefits.

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, deferred outflows of resources, deferred inflows of resources, 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting (continued)

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 approximately 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under leases are reported as other financing sources.

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

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a state-wide 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.

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 Prepaids

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.

Inventories of the vocational education fund are comprised principally of land held for resale and a house held for resale.

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. The District capitalizes all personal property purchased with an individual cost of $50,000 or more ($10,000 or more if the personal property is purchased using federal funds) and an estimated useful life in excess of two years. Building construction, building purchases and improvements, that extend the estimated useful life of sites or buildings and the cost exceeds the current base established by Public Act 159 of 1990 are capitalized. Improvements that do not extend the estimated useful life of a site or building are capitalized if the cost is $50,000 or greater. Group purchases of $50,000 or more with an estimated useful life in excess of two years are capitalized. 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 asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Land and construction in progress, if any, are not depreciated. Right to use assets of the District are amortized using the straight-line method over the shorter of the lease/subscription period or the estimated useful lives. The other property, plant, and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

Capital Asset Classes	Lives
Buildings and structures	20 - 50 years
Right to use - leased equipment and buildings	5 - 15 years
Right to use - subscription-based IT	3 - 5 years
Furniture and equipment	5 - 15 years
Vehicles	5 - 10 years

Defined Benefit Plans

For purposes of measuring the net pension liability and net other postemployment benefit asset, deferred outflows of resources and deferred inflows of resources related to pension and other postemployment benefit, and pension and other postemployment benefit 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 assets that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category. They are the pension and other postemployment benefit related items reported in the government-wide statement of net position. A deferred outflow is recognized for pension and other postemployment benefit related items. These amounts are expensed in the plan year in which they apply.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Deferred Inflows

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources,* represents an acquisition of net assets that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has three items that qualify for reporting in this category. The first is restricted section 147c state aid deferred to offset deferred outflows related to section 147c pension contributions subsequent to the measurement period. The second and third items are future resources yet to be recognized in relation to the pension and other postemployment benefit actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the pension and other postemployment benefit liability and the actual results. The amounts are amortized over a period determined by the actuary.

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. The purpose of the various commitments is disclosed in the statements.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Leases and Subscription-based IT Arrangements (SBITA)

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

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

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

- The District uses the interest rate charged by the lessor/subscriber as the discount rate. When the interest rate charged by the lessor/subscriber is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases/SBITAs.

- The lease/SBITA term includes the noncancelable period of the lease/subscription. Lease/SBITA payments included in the measurement of the lease/SBITA liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

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

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

Revenues and Expenditures/Expenses

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues and Expenditures/Expenses (continued)

Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer 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, 2026, the District levied the following amounts per $1,000 of assessed valuation:

Fund	Mills Levied	T.E.V. (Billions)
General fund		
General education	0.0841	34.8
Special revenue funds		
Special education	3.3866	34.8
Community service	0.8498	34.8
Career technical education	0.8310	34.8
Capital projects fund		
Special education	0.1000	34.8
Career technical education	0.1000	34.8

The District has allocated 0.1000 mill from the special education fund to the special education capital projects fund. The District has also allocated 0.1000 mill from the career technical education fund to the career technical education capital projects fund.

Compensated Absences

The District recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled during or upon separation from employment. All employee benefits are accrued when earned in the internal service fund. The liability for compensated absences includes salary and 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues and Expenditures/Expenses (continued)

Long-term Obligations (continued)

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.

Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish *operating* revenues and expenses from *noncapital subsidies*, and other *nonoperating* revenues and expenses. Nonoperating revenues and expenses are any (1) contributions to permanent and term endowments; (2) finance related revenues and expenses; (3) gain and losses from disposals of capital assets and inventory; (4) investment income and expenses; and (5) subsidies received and provided. A *subsidy* represents amounts received from or provided to another party or fund of Kent Intermediate School District. Amounts received from another party or fund are considered a subsidy if it is unrelated to the services provided by the proprietary fund and keeps the fees charged at the same amount or lower if the subsidy was not received. Amounts provided to the other party or fund are considered a subsidy if it is unrelated to the goods or services provided by those parties and will generally result in the proprietary charging higher fees in the future. All revenues and expenses not meeting the definitions of nonoperating revenues and expenses are reported as operating revenues and expenses.

NOTE 2 - DEPOSITS AND INVESTMENTS

As of June 30, 2026, the District had the 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, 2026, $3,389,083 of the District's bank balance of $3,639,083 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name. The carrying amount of all deposits is $2,893,526.

Custodial of 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 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	$ 409,823	N/A
U.S. Treasury Notes & Strips	16,782,428	0.6266
MILAF External Investment Pool - Max	85,661,084	N/A
Total fair value	$ 102,853,335	
Portfolio weighted average maturity		0.6266

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	$ 409,823	AAAm	Standard & Poor's
U.S. Treasury Notes & Strips	16,782,428	AAAm	Standard & Poor's
MILAF External Investment Pool - Max	85,661,084	AAAm	Standard & Poor's
Total fair value	$ 102,853,335		

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.

	Level 1	Level 2	Level 3	Balance at June 30, 2026
Investments by fair value level				
U.S. Treasury Notes & Strips	$ 16,782,428	$ -	$ -	$ 16,782,428

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

The District voluntarily invests certain excess funds in external pooled investment funds which included money market funds. One of the pooled investment funds utilized by the District is the Michigan Investment Liquid Asset Fund (MILAF). MILAF funds are considered external investment pools as defined by the GASB and as such are recorded at amortized cost which 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	$ 409,823
MILAF External Investment Pool - Max	85,661,084
	$ 86,070,907

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

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

The following summarizes the categorization of these amounts as of June 30, 2026:

	Primary Government	Internal Service Fund	Total
Cash and cash equivalents	$ 2,164,503	$ 729,023	$ 2,893,526
Investments	102,853,335	-	102,853,335
	$ 105,017,838	$ 729,023	$ 105,746,861

NOTE 3 - CAPITAL ASSETS

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

	Balance July 1, 2025	Additions/ Reclassifications	Deletions/ Reclassifications	Balance June 30, 2026
Capital assets not being depreciated				
Land	$ 5,187,380	$ 2,021,786	$ -	$ 7,209,166
Construction in progress	11,364,557	13,431,727	11,364,557	13,431,727
Total capital assets not being depreciated	16,551,937	15,453,513	11,364,557	20,640,893
Capital assets being depreciated/amortized				
Buildings and structures	108,729,286	3,445,921	1,516,653	110,658,554
Right to use - leased equipment	1,440,738	-	929,353	511,385
Right to use - subscription-based IT	2,053,835	2,158,797	845,946	3,366,686
Furniture and equipment	39,937,544	3,517,544	852,665	42,602,423
Vehicles	1,398,033	232,808	-	1,630,841
Total capital assets being depreciated/amortized	153,559,436	9,355,070	4,144,617	158,769,889
Accumulated depreciation/amortization				
Buildings and structures	51,819,070	3,460,436	1,507,776	53,771,730
Right to use - leased equipment	1,192,608	125,749	881,767	436,590
Right to use - subscription-based IT	1,187,854	1,045,510	1,049,980	1,183,384
Furniture and equipment	27,886,257	2,396,662	852,665	29,430,254
Vehicles	954,345	166,765	-	1,121,110
Total accumulated depreciation/amortization	83,040,134	7,195,122	4,292,188	85,943,068
Total capital assets being depreciated/amortized, net	70,519,302	2,159,948	(147,571)	72,826,821
Total capital assets, net	$ 87,071,239	$ 17,613,461	$ 11,216,986	$ 93,467,714

NOTE 3 - CAPITAL ASSETS (continued)

Depreciation/amortization expense for the fiscal year ended June 30, 2026 amounted to $7,195,122. Depreciation/amortization expense was charged to programs of the District as follows:

Instruction	$ 1,939,900
Supporting services	1,427,090
Unallocated depreciation/amortization	3,828,132
	$ 7,195,122

Included in capital assets are buildings that are capital assets held for sale. Those buildings are reported in governmental activities. They have a historical cost of $924,292 and an accumulated depreciation of $692,182.

NOTE 4 - INTERGOVERNMENTAL RECEIVABLE

Due from other governmental units at June 30, 2026 consist of the following:

Local districts	$ 9,543,196
State aid	25,027,221
Federal revenue	6,122,247
Other	25,980
	$ 40,718,644

Because of the District's favorable collection experience, no allowance for doubtful accounts has been recorded.

NOTE 5 - LONG-TERM OBLIGATIONS

The following is a summary of governmental long-term obligations for the District for the year ended June 30, 2026:

	Notes from Direct Borrowings and Direct Placements	Compensated Absences*	Total
Balance, July 1, 2025	$ 1,247,232	$ 2,756,509	$ 4,003,741
Additions	2,158,797	608,486	2,767,283
Deletions	(1,473,411)	-	(1,473,411)
Balance, June 30, 2026	1,932,618	3,364,995	5,297,613
Due within one year	(633,078)	(384,748)	(1,017,826)
Due in more than one year	$ 1,299,540	$ 2,980,247	$ 4,279,787

*The change in the compensated absences liability is presented as a net change.

NOTE 5 - LONG-TERM OBLIGATIONS (continued)

Long-term obligations at June 30, 2026 are comprised of the following issues:

Direct Borrowings and Direct Placements	
Printer fleet lease due in monthly installments between $9,116 and $9,230 through March 20, 2027, with an implied interest rate of 2.0%.	$ 82,382
SBITA - During the 2026 fiscal year, the District entered into various SBITA agreements. An initial liability was recorded in the amount of $2,158,797 during the current fiscal year. Due in annual installments between $1,534 and $402,874 through December 2029 with an implied interest rate of 2.0%.	1,850,236
Total direct borrowings and direct placements	1,932,618
Compensated absences	3,364,995
Total general long-term obligations	$ 5,297,613

The District's outstanding notes from direct borrowings and direct placements related to governmental activities of $1,932,618 contains provisions that in an event of default, either by (1) unable to make principal or interest payments (2) false or misrepresentation is made to the lender (3) become insolvent or make an assignment for the benefit of its creditors (4) if the lender at any time in good faith believes that the prospect of payment of any indebtedness is impaired. Upon the occurrence of any default event, the outstanding amounts, including accrued interest become immediately due and payable.

The annual requirements to amortize long-term obligations outstanding, including interest of $71,149, exclusive of compensated absences payments as of June 30, 2026, are as follows:

Year Ending June 30,	Direct Borrowing and Direct Placement Principal	Direct Borrowing and Direct Placement Interest	Compensated Absences	Total
2027	$ 633,078	$ 22,054	$ -	$ 655,132
2028	499,988	25,387	-	525,375
2029	391,902	15,756	-	407,658
2030	407,650	7,952	-	415,602
	1,932,618	71,149	-	2,003,767
Compensated absences	-	-	3,364,995	3,364,995
	$ 1,932,618	$ 71,149	$ 3,364,995	$ 5,368,762

NOTE 6 - INTERFUND RECEIVABLES AND PAYABLES

Interfund payable and receivable balances at June 30, 2026 are as follows:

Receivable Fund	Amount	Payable Fund	Amount
General fund	$ -	General fund	$ 167,862
Special education	-	Special education	19,494
Career technical education	-	Career technical education	132,761
Internal service fund	325,987	Cooperative education	5,870
	$ 325,987		$ 325,987

The outstanding balances between funds results 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. All amounts are expected to be repaid within the year.

NOTE 7 - TRANSFERS

Operating transfers between funds during the year ended June 30, 2026 were as follows:

Transfer In Fund	Transfer Out Fund	Amount
General fund	Special education	$ 1,536,538
General fund	Career technical education	3,210,957
Special education	General fund	215,392
Special education	Community service	271,995
Career technical education	General fund	767,586
Career technical education	Special education	3,383,270
Career technical education	Cooperative education	146,765
Cooperative education	General fund	463,500
Cooperative education	Special education	128,000
Cooperative education	Career technical education	383,000
Capital projects - general education	General fund	1,500,000
Capital projects - general education	Special education	2,500,000
Capital projects - general education	Capital projects - special education	53,995
Capital projects - general education	Capital projects - career technical education	21,930
Capital projects - special education	Special education	10,000,000
Capital projects - special education	Capital projects - general education	160,109
Capital projects - career technical education	Career technical education	10,010,881
		$ 34,753,918

Transfers are used to (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them, and (2) use revenues collected in the funds to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 8 - 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 8 - 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 8 - 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, and before February 1, 2018, choose between two retirement plans: The Pension Plus Plan and a Defined Contribution Plan 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.

New employees hired between February 1, 2018 and June 30, 2024, are automatically enrolled as members in the Pension Plus 2 Plan as of their date of hire. They have 75 days from the last day of their first pay period, as reported to ORS, to elect to opt out of the Pension Plus 2 Plan and become a qualified participant to the DC Plan; if no election is made they will default to the DC Plan. If they elect to opt out of the Pension Plus 2 Plan, their participation in the DC Plan will be retroactive to their date of hire.

Pension Reform of 2023

On November 29, 2023, the Governor signed Public Act 250 of 2023 into law. New employees hired after June 30, 2024, are automatically enrolled as members in the Pension Plus 2 Plan as of their date of hire. They have 75 days from the last day of their first pay period, as reported to ORS, to elect to opt out of the Pension Plus 2 Plan and become a qualified participant in the DC Plan; if no election is made they will remain in the Pension Plus 2 Plan. If they elect to opt out of the Pension Plus 2 Plan, their participation in the DC Plan will be retroactive to their date of hire.

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Benefits Provided - Other Postemployment Benefit (OPEB)

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

Retiree Healthcare Reform of 2012

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

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

Regular Retirement (no reduction factor for age)

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

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Employer Contributions

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

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

Pension and OPEB contributions made in the fiscal year ending September 30, 2025, were determined as of the September 30, 2022, actuarial valuations. The pension and OPEB unfunded (overfunded) actuarial accrued liabilities (UAAL) as of September 30, 2022, are amortized over a 14-year period beginning October 1, 2024, 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, 2025 - September 30, 2026	15.21% - 26.08%	0.00% - 3.83%
October 1, 2024 - September 30, 2025	20.96% - 30.11%	0.00% - 1.25%

The District's pension contributions for the year ended June 30, 2026, were equal to the required contribution total. Total pension contributions were approximately $32,482,000. Of the total pension contributions approximately $30,707,000 was contributed to fund the Defined Benefit Plan and approximately $1,775,000 was contributed to fund the Defined Contribution Plan.

The District's OPEB contributions for the year ended June 30, 2026, were equal to the required contribution total. Total OPEB contributions were approximately $2,351,000. Of the total OPEB contributions approximately $1,338,000 was contributed to fund the Defined Benefit Plan and approximately $1,013,000 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).

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

The net pension liability was measured as of September 30, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2024, 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, 2025	September 30, 2024
Total pension liability	$ 97,436,103,863	$ 95,765,499,515
Plan fiduciary net position	$ 77,403,114,236	$ 71,283,482,728
Net pension liability	$ 20,032,989,627	$ 24,482,016,787
Proportionate share	0.76912%	0.93066%
Net pension liability for the District	$ 154,078,415	$ 227,845,219

For the year ended June 30, 2026, the District recognized pension expense of $3,912,080.

At June 30, 2026, 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	$ 5,530,316	$ (8,143,415)
Net difference between projected and actual plan investment earnings	-	(36,821,442)
Differences between expected and actual experience	5,967,899	(1,372,364)
Changes in proportion and differences between employer contributions and proportionate share of contributions	5,885,224	(35,394,469)
Reporting Unit's contributions subsequent to the measurement date	28,100,699	-
	$ 45,484,138	$ (81,731,690)

$28,100,699, 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.

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

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

Year Ending June 30,	Amount
2027	$ (8,816,160)
2028	(24,973,163)
2029	(22,259,342)
2030	(8,299,586)

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

The net OPEB liability (asset) was measured as of September 30, 2025, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation date of September 30, 2024 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net OPEB liability (asset) was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined.

MPSERS (Plan) Non-university Employers	September 30, 2025	September 30, 2024
Total other postemployment benefits liability	$ 9,360,649,860	$ 9,991,545,923
Plan fiduciary net position	$ 15,439,767,833	$ 14,295,943,589
Net other postemployment benefits liability (asset)	$ (6,079,117,973)	$ (4,304,397,666)
Proportionate share	0.63592%	0.92616%
Net other postemployment benefits liability (asset) for the District	$ (38,658,230)	$ (39,865,508)

For the year ended June 30, 2026, the District recognized OPEB benefit of $9,561,709.

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

At June 30, 2026, 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
Changes of assumptions	$ 5,159,355	$ (410,005)
Net difference between projected and actual plan investment earnings	-	(5,432,324)
Differences between expected and actual experience	-	(26,467,256)
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,866,809	(911,880)
Reporting Unit's contributions subsequent to the measurement date	1,161,834	-
	$ 8,187,998	$ (33,221,465)

$1,161,834, reported as deferred outflows of resources related to OPEB resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability (asset) in the subsequent fiscal year.

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

Year Ending June 30,	Amount
2027	$ (6,616,227)
2028	(6,766,194)
2029	(6,389,790)
2030	(4,281,711)
2031	(1,627,696)
2032	(513,683)

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions

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

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

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

Inflation - 3.0%.

Mortality Assumptions -

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

Active: PubT-2010 Male and Female Employee Mortality Tables scaled 100% and adjusted for mortality improvements using projection scale MP-2021 from 2010.

Disabled Retirees: PubNS-2010 Male and Female Disabled Retiree Mortality Tables scaled 100% and adjusted for mortality improvements using projection scale MP-2021 from 2010.

Experience Study - Assumption changes as a result of an experience study for the periods 2017 through 2022 have been adopted by the System for use in the determination of the total pension and OPEB liability beginning with the September 30, 2023, valuation.

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

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

Healthcare Cost Trend Rate for Other Postemployment Benefit - Pre 65, 7.75% for year one and graded to 3.50% in year fifteen. Post 65, 6.50% for year one and graded to 3.50% in year fifteen.

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

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

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

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

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

The target asset allocation at September 30, 2025, and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

	Target Allocation		
Investment Category	Pension	OPEB	Long-term Expected Real Rate of Return*
Domestic Equity Pools	21.0%	16.0%	5.8%
International Equity Pools	14.0%	11.0%	5.6%
Private Equity Pools	16.0%	16.0%	9.3%
Real Estate and Infrastructure Pools	8.0%	5.0%	7.0%
Fixed Income Pools	15.0%	26.0%	2.5%
Absolute Return Pools	13.0%	15.0%	4.4%
Real Return/Opportunistic Pools	9.0%	7.0%	7.0%
Short Term Investment Pools	4.0%	4.0%	1.3%
	100.0%	100.0%	

*Long term rate of return are net of administrative expenses and 2.4% inflation.

Rate of Return - For fiscal year ended September 30, 2025, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was 9.81% and 9.24%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Pension Discount Rate - A single discount rate of 6.00% was used to measure the total pension liability. This discount rate was based on the expected rate of return on pension plan investments of 6.00%. The projection of cash flows used to determine this single discount rate was based on the assumption that in the future, 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.

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

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

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

	Pension		
	1% Decrease	Discount Rate	1% Increase
Reporting Unit's proportionate share of the net pension liability	$ 243,144,237	$ 154,078,415	$ 79,897,986

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

	Other Postemployment Benefits		
	1% Decrease	Discount Rate	1% Increase
Reporting Unit's proportionate share of the other postemployment benefits liability (asset)	$ (33,306,511)	$ (38,658,230)	$ (43,342,144)

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Healthcare Cost Trend Rates - The following presents the Reporting Unit's proportionate share of the net other postemployment benefit liability (asset) calculated using the healthcare cost trend rate, as well as what the Reporting Unit's proportionate share of the net other postemployment benefit liability (asset) would be if it were calculated using a healthcare cost trend rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Other Postemployment Benefits		
	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Reporting Unit's proportionate share of the other postemployment benefits liability (asset)	$ (43,299,403)	$ (38,658,230)	$ (33,785,152)

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension and OPEB Plan Fiduciary Net Position

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

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

NOTE 9 - 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 District expects such amounts, if any, to be immaterial.

NOTE 10 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The District is a member of the West Michigan Health Insurance Pool (non-profit corporation), a self-insurance fund which provides members with health insurance benefits. The pool is considered a public entity risk pool. The pool was created on July 1, 2005, and organized under Public Act 138 of 1982, as amended, as a governmental group self-insurance pool. The District began participation in this pool on September 1, 2005. There were no significant reductions in coverage and settlements did not exceed insurance coverage during the fiscal year ended June 30, 2026.

The pool does not maintain separate funds for members and consequently the District's share of the total assets and equity is unknown. Audited financial statements of the fund are available.

The District continues to carry commercial insurance for other risks of loss, including property, liability, and employee health and accident insurance. No settlements have occurred in excess of coverage for June 30, 2026 or any of the prior three years.

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 tax 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
Ada Township	$ 56,048
Caledonia Township	51,954
Cascade Township	83,124
City of Grand Rapids	3,770,714
City of Kentwood	2,634,861
City of Walker	175,137
City of Wyoming	335,223
Gaines Township	491,246
Other municipalities	294,512
	$ 7,892,819

The District is considered to be an "in-formula" district. The property tax revenue that is abated for the vocational education millage is considered when the State of Michigan determines the District's funding under Section 62 of the State School Aid Act.

There are no abatements made by the District.

NOTE 12 - CHANGES IN ACCOUNTING PRINCIPLES

For the year ended June 30, 2026, the District implemented the following GASB standards:

GASB Statement No. 103, *Financial Reporting Model Improvements.* The Standard addressed the following areas:

a. Management's discussion and analysis (MD&A)
b. Unusual or infrequent items
c. Presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position;
d. Information about major component units in basic financial statements should be presented separately in the statement of net position and statement of activities unless it reduces the readability of the statements in which case combining statements should be presented after the fund financial statements;
e. Budgetary comparison information should include variances between original and final budget amounts and variances between final budget and actual amounts with explanations of significant variances required to be presented in the notes to RSI.

NOTE 12 - CHANGES IN ACCOUNTING PRINCIPLES (continued)

GASB Statement No. 104, *Disclosure of Certain Capital Assets*. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement No. 34. This Statement also requires additional disclosures for capital assets held for sale.

NOTE 13 - RESTATEMENT

The following restatements of beginning fund balance were made during the period, which was a result of a change in the recognition of interest revenue into the proper period and a change to or within the financial reporting entity. These adjustments were reported as changes to the beginning fund balances.

	Governmental Funds		
	Special Education - Capital Projects Fund	General Fund	Nonmajor Governmental Funds
Fund balance, as previously reported	$ -	$ 9,712,634	$ 14,301,401
Change from nonmajor to major fund	6,233,021	-	(6,233,021)
Recognition of interest revenue into proper period	-	1,756,828	-
Fund balance, as restated	$ 6,233,021	$ 11,469,462	$ 8,068,380

The restatement of the beginning of the year had the following impact on net position. The change in the recognition of interest revenue into the proper period is as follows:

	Governmental Activities Net Position
Balance as of July 1, 2025, as previously stated	$ (70,396,719)
Recognition of interest revenue into proper period	1,756,828
Balance as of July 1, 2025 as restated	$ (68,639,891)

NOTE 14 - UPCOMING ACCOUNTING PRONOUNCEMENT

In December 2025, the GASB issued Statement No. 105, *Subsequent Events*. This Statement clarifies the subsequent events that constitute recognized and nonrecognized events and establishes specific note disclosure requirements for nonrecognized events. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2026-2027 fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION

KENT INTERMEDIATE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2026

	Original Budget	Final Budget	Variance with Original and Final Budget	Actual	Variance with Final Budget and Actual
REVENUES					
Local sources	$ 6,084,988	$ 6,654,849	$ 569,861	$ 6,255,705	$ (399,144)
State sources	70,881,317	79,686,491	8,805,174	71,660,442	(8,026,049)
Federal sources	5,530,658	5,062,814	(467,844)	3,825,570	(1,237,244)
Interdistrict	751,926	909,979	158,053	877,900	(32,079)
TOTAL REVENUES	83,248,889	92,314,133	9,065,244	82,619,617	(9,694,516)
EXPENDITURES					
Current					
Instruction					
Basic programs	14,706,006	14,548,378	157,628	14,438,828	109,550
Student instruction and added needs	82,562	74,211	8,351	20,213	53,998
Adult and continuing education	1,280,888	1,490,445	(209,557)	1,298,211	192,234
Total instruction	16,069,456	16,113,034	(43,578)	15,757,252	355,782
Supporting services					
Pupil services	3,025,747	3,097,557	(71,810)	2,624,001	473,556
Instructional staff	16,719,852	18,668,349	(1,948,497)	16,248,686	2,419,663
General administration	1,571,487	1,821,307	(249,820)	1,809,935	11,372
School administration	550	1,000	(450)	-	1,000
Business services	866,106	978,465	(112,359)	1,061,718	(83,253)
Operation and maintenance	2,186,785	2,239,958	(53,173)	2,096,402	143,556
Transportation services	641,903	532,248	109,655	482,316	49,932
Central services	5,033,978	5,289,923	(255,945)	5,003,897	286,026
Total supporting services	30,046,408	32,628,807	(2,582,399)	29,326,955	3,301,852
Community service	3,743,115	2,401,216	1,341,899	1,836,449	564,767
Interdistrict transactions	35,054,328	45,173,364	(10,119,036)	38,921,061	6,252,303
Capital outlay	-	11,153	(11,153)	-	11,153
Debt service					
Principal	226,172	150,771	75,401	150,771	-
Interest	5,652	4,144	1,508	4,144	-
TOTAL EXPENDITURES	85,145,131	96,482,489	(11,337,358)	85,996,632	10,485,857
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,896,242)	(4,168,356)	(2,272,114)	(3,377,015)	791,341
OTHER FINANCING SOURCES (USES)					
Transfers in	4,721,358	4,730,603	9,245	4,747,495	16,892
Transfers out	(2,997,577)	(2,972,070)	25,507	(2,946,478)	25,592
TOTAL OTHER FINANCING SOURCES (USES)	1,723,781	1,758,533	34,752	1,801,017	42,484
NET CHANGE IN FUND BALANCE	(172,461)	(2,409,823)	(2,237,362)	(1,575,998)	833,825
FUND BALANCE					
Beginning of year, as restated	11,469,462	11,469,462	-	11,469,462	-
End of year	$ 11,297,001	$ 9,059,639	$ (2,237,362)	$ 9,893,464	$ 833,825

KENT INTERMEDIATE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
SPECIAL EDUCATION FUND
YEAR ENDED JUNE 30, 2026

	Original Budget	Final Budget	Variance with Original and Final Budget	Actual	Variance with Final Budget and Actual
REVENUES					
Local sources	$ 136,553,840	$ 140,576,657	$ 4,022,817	$ 140,836,597	$ 259,940
State sources	65,198,183	64,944,545	(253,638)	64,844,843	(99,702)
Federal sources	34,112,920	35,859,649	1,746,729	35,045,895	(813,754)
Interdistrict	27,782,142	29,842,648	2,060,506	29,701,939	(140,709)
TOTAL REVENUES	263,647,085	271,223,499	7,576,414	270,429,274	(794,225)
EXPENDITURES					
Current					
Instruction					
Student instruction and added needs	38,710,736	36,978,728	1,732,008	36,629,085	349,643
Supporting services					
Pupil services	30,293,480	28,750,621	1,542,859	27,866,018	884,603
Instructional staff	11,088,168	10,603,821	484,347	10,137,823	465,998
General administration	57,500	47,700	9,800	46,860	840
School administration	274,451	283,102	(8,651)	279,898	3,204
Business services	1,382,352	1,293,219	89,133	1,271,947	21,272
Operation and maintenance	4,879,042	4,373,680	505,362	4,126,196	247,484
Transportation services	22,695,574	27,883,618	(5,188,044)	27,689,842	193,776
Central services	2,078,019	3,626,241	(1,548,222)	3,641,386	(15,145)
Other services	139,900	167,450	(27,550)	182,512	(15,062)
Total supporting services	72,888,486	77,029,452	(4,140,966)	75,242,482	1,786,970
Community service	5,000	5,000	-	968	4,032
Interdistrict transactions	143,766,886	148,054,013	(4,287,127)	147,708,687	345,326
Debt service					
Principal	203,206	666,719	(463,513)	642,178	24,541
Interest	4,064	17,124	(13,060)	12,866	4,258
TOTAL EXPENDITURES	255,578,378	262,751,036	(7,172,658)	260,236,266	2,514,770
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	8,068,707	8,472,463	403,756	10,193,008	1,720,545
OTHER FINANCING SOURCES (USES)					
Proceeds from subscription-based IT arrangements	-	2,019,455	2,019,455	1,982,707	(36,748)
Transfers in	493,153	489,918	(3,235)	487,387	(2,531)
Transfers out	(15,956,464)	(17,580,129)	(1,623,665)	(17,547,808)	32,321
TOTAL OTHER FINANCING SOURCES (USES)	(15,463,311)	(15,070,756)	392,555	(15,077,714)	(6,958)
NET CHANGE IN FUND BALANCE	(7,394,604)	(6,598,293)	796,311	(4,884,706)	1,713,587
FUND BALANCE					
Beginning of year	23,493,885	23,493,885	-	23,493,885	-
End of year	$ 16,099,281	$ 16,895,592	$ 796,311	$ 18,609,179	$ 1,713,587

KENT INTERMEDIATE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
CAREER TECHNICAL EDUCATION FUND
YEAR ENDED JUNE 30, 2026

	Original Budget	Final Budget	Variance with Original and Final Budget	Actual	Variance with Final Budget and Actual
REVENUES					
Local sources	$ 31,983,125	$ 32,144,010	$ 160,885	$ 32,268,081	$ 124,071
State sources	6,749,844	6,465,538	(284,306)	6,555,106	89,568
Federal sources	1,531,144	1,583,644	52,500	1,526,984	(56,660)
Interdistrict	170,087	214,435	44,348	214,418	(17)
TOTAL REVENUES	40,434,200	40,407,627	(26,573)	40,564,589	156,962
EXPENDITURES					
Current					
Instruction					
Student instruction and added needs	15,473,665	16,663,117	(1,189,452)	16,407,641	255,476
Supporting services					
Pupil services	1,824,746	1,575,849	248,897	1,561,467	14,382
Instructional staff	3,455,071	3,389,917	65,154	3,311,355	78,562
General administration	58,000	42,000	16,000	40,147	1,853
School administration	1,618,000	1,546,020	71,980	1,518,383	27,637
Business services	845,888	792,639	53,249	861,123	(68,484)
Operation and maintenance	8,009,674	6,858,171	1,151,503	6,501,614	356,557
Transportation services	94,001	203,422	(109,421)	214,594	(11,172)
Central services	6,350,981	6,640,374	(289,393)	6,598,451	41,923
Total supporting services	22,256,361	21,048,392	1,207,969	20,607,134	441,258
Interdistrict transactions	244,750	245,000	(250)	244,322	678
Capital outlay	25,000	254,863	(229,863)	182,052	72,811
Debt service					
Principal	289,370	344,140	(54,770)	344,079	61
Interest	10,730	8,617	2,113	8,678	(61)
TOTAL EXPENDITURES	38,299,876	38,564,129	(264,253)	37,793,906	770,223
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	2,134,324	1,843,498	(290,826)	2,770,683	927,185
OTHER FINANCING SOURCES (USES)					
Proceeds from the sale of capital assets	15,869	15,000	(869)	9,087	(5,913)
Proceeds from subscription-based IT arrangements	108,045	176,089	68,044	176,090	1
Transfers in	3,682,200	4,322,900	640,700	4,297,621	(25,279)
Transfers out	(13,659,394)	(13,661,237)	(1,843)	(13,604,838)	56,399
TOTAL OTHER FINANCING SOURCES (USES)	(9,853,280)	(9,147,248)	706,032	(9,122,040)	25,208
NET CHANGE IN FUND BALANCE	(7,718,956)	(7,303,750)	415,206	(6,351,357)	952,393
FUND BALANCE					
Beginning of year	25,306,978	25,306,978	-	25,306,978	-
End of year	$ 17,588,022	$ 18,003,228	$ 415,206	$ 18,955,621	$ 952,393

KENT INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEE'S RETIREMENT PLAN
LAST TEN FISCAL YEARS (DETERMINED AS OF PLAN YEAR ENDED SEPTEMBER 30)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Reporting Unit's proportion of net pension liability (%)	0.76912%	0.93066%	0.91752%	0.89143%	0.86562%	0.77950%	0.66111%	0.63159%	0.62241%	0.61092%
Reporting Unit's proportionate share of net pension liability	$ 154,078,415	$ 227,845,219	$ 296,964,329	$ 335,255,154	$ 204,939,863	$ 267,767,492	$ 218,936,292	$ 189,867,954	$ 161,292,237	$ 152,418,977
Reporting Unit's covered-employee payroll	$ 80,326,531	$ 99,717,476	$ 94,979,582	$ 87,333,032	$ 79,883,234	$ 75,827,341	$ 59,216,357	$ 54,684,386	$ 52,283,278	$ 52,657,138
Reporting Unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	191.82%	228.49%	312.66%	383.88%	256.55%	353.13%	369.72%	347.21%	308.50%	289.46%
Plan fiduciary net position as a percentage of total pension liability (Non-university employers)	79.44%	74.44%	65.91%	60.77%	72.60%	59.72%	60.31%	62.36%	64.21%	63.27%

KENT INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF THE REPORTING UNIT'S PENSION CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEE'S RETIREMENT PLAN
LAST TEN FISCAL YEARS (DETERMINED AS OF PLAN YEAR ENDED JUNE 30)

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Statutorily required contributions	$ 30,706,997	$ 34,192,420	$ 38,644,127	$ 41,506,125	$ 29,763,902	$ 25,474,463	$ 20,957,267	$ 16,910,512	$ 15,662,095	$ 14,488,826
Contributions in relation to statutorily required contributions	30,706,997	34,192,420	38,644,127	41,506,125	29,763,902	25,474,463	20,957,267	16,910,512	15,662,095	14,488,826
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Reporting Unit's covered-employee payroll	$ 83,306,451	$ 82,117,374	$ 101,557,412	$ 96,120,943	$ 85,410,869	$ 78,767,017	$ 73,582,307	$ 56,630,532	$ 54,112,205	$ 51,513,745
Contributions as a percentage of covered-employee payroll	36.86%	41.64%	38.05%	43.18%	34.85%	32.34%	28.48%	29.86%	28.94%	28.13%

KENT INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF THE REPORTING UNIT'S
PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET)
MICHIGAN PUBLIC SCHOOL EMPLOYEE'S RETIREMENT PLAN
LAST TEN FISCAL YEARS (DETERMINED AS OF PLAN YEAR ENDED SEPTEMBER 30)

	2025	2024	2023	2022	2021	2020	2019	2018	2017
Reporting Unit's proportion of net OPEB liability/asset (%)	0.63592%	0.92616%	0.93909%	0.89439%	0.87989%	0.85689%	0.67960%	0.64218%	0.62303%
Reporting Unit's proportionate share of net OPEB liability (asset)	$ (38,658,230)	$ (39,865,508)	$ (5,312,437)	$ 18,943,753	$ 13,430,390	$ 45,905,744	$ 48,780,156	$ 51,046,300	$ 55,172,657
Reporting Unit's covered-employee payroll	$ 80,326,531	$ 99,717,476	$ 94,979,582	$ 87,333,032	$ 79,883,234	$ 75,827,341	$ 59,216,357	$ 54,684,386	$ 52,283,278
Reporting Unit's proportionate share of net OPEB liability/asset as a percentage of its covered-employee payroll	48.13%	39.98%	5.59%	21.69%	16.81%	60.54%	82.38%	93.35%	105.53%
Plan fiduciary net position as a percentage of total OPEB liability (Non-university employers)	164.94%	143.08%	105.04%	83.09%	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, reporting units should present information for those years for which information is available.

KENT INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF THE REPORTING UNIT'S OPEB CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEE'S RETIREMENT PLAN
LAST TEN FISCAL YEARS (DETERMINED AS OF PLAN YEAR ENDED SEPTEMBER 30)

	2026	2025	2024	2023	2022	2021	2020	2019	2018
Statutorily required contributions	$ 1,337,590	$ 396,473	$ 8,178,986	$ 7,497,789	$ 7,007,542	$ 6,776,444	$ 6,348,000	$ 4,672,478	$ 4,286,733
Contributions in relation to statutorily required contributions	1,337,590	396,473	8,178,986	7,497,789	7,007,542	6,776,444	6,348,000	4,672,478	4,286,733
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Reporting Unit's covered-employee payroll	$ 83,306,451	$ 82,117,374	$ 101,557,412	$ 96,120,943	$ 85,410,869	$ 78,676,017	$ 73,582,307	$ 56,630,532	$ 54,112,205
Contributions as a percentage of covered-employee payroll	1.61%	0.48%	8.05%	7.80%	8.20%	8.60%	8.63%	8.25%	7.92%

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

KENT INTERMEDIATE SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2026

NOTE 1 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

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

b. Public hearings are conducted to obtain taxpayer comments.

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

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

e. The final budget was approved prior to June 30, 2026 year-end.

NOTE 2 - BUDGETARY COMPARISON

Significant Variances Between the General Fund Original and Final Budget

	Variance	Explanation
REVENUES		
State sources	$ 8,805,174	State sources revenue increased by approximately $8.8 million from the original to final budget due to several funding changes that were not fully known when the original budget was adopted. Significant increases included approximately $4.4 million in Section 32d Great Start Readiness Program (GSRP) funding and $2.6 million in GSRP startup funding, reflecting increased slot allocations, additional classrooms, and a higher number of children served. Section 27b Grow Your Own funding also increased by approximately $2.3 million due to a higher amount of prior-year funding being deferred and recognized in the current fiscal year than originally estimated. In addition, Section 147c funding increased by approximately $1.0 million. These increases were partially offset by decreases in other state funding sources.
EXPENDITURES		
Support services - Instructional staff	(1,948,497)	Instructional staff support services expenditures increased by approximately $1.9 million from the original to final budget, primarily due to changes in funding and expenditures associated with the West Michigan Teacher Collaborative grants. Section 27b Grow Your Own expenditures increased by approximately $1.5 million due to higher-than-anticipated resident and mentor stipends and tuition costs. In addition, approximately $229,000 of expenditures related to the Section 27r grant were added during the year because the District had not yet been awarded the grant when the original budget was adopted. Together, these two grants accounted for approximately 91% of the total variance.
Community service	1,341,899	Community service expenditures decreased by approximately $1.3 million from the original to final budget, primarily due to a change in the funding source for Section 27b Grow Your Own tuition expenditures. The original budget included approximately $1.9 million of tuition expenditures funded through the federal Section 27b Grow Your Own ARPA grant. During the year, the District determined that state Section 27b Grow Your Own funds would instead be used for these expenditures, and the federal grant budget was reduced to zero. This change shifted the expenditures to the state-funded grant and was partially offset by other changes within community service expenditures.
Interdistrict transactions	(10,119,036)	Interdistrict transaction expenditures increased by approximately $10.1 million from the original to final budget, primarily due to higher Great Start Readiness Program (GSRP) flow-through payments to subrecipients and community-based organizations. Section 32d GSRP flow-through payments increased by approximately $7.2 million, from $22.4 million in the original budget to $29.5 million in the final budget, due to the addition of new subrecipients, increased GSRP slot allocations, and a higher number of children served. GSRP startup payments also increased by approximately $2.2 million from the original budget to support additional classrooms needed to accommodate program growth.

NOTE 2 - BUDGETARY COMPARISON (continued)

Significant Variances Between the General Fund Final Budget and Actual

	Variance	Explanation
REVENUES		
State sources	$ (8,026,049)	State sources revenue decreased by approximately $8.0 million from the final budget to actual results, primarily due to differences between the District's fiscal year and the grant periods for several significant state grants. The District's final budget reflects the full grant awards; however, several state grants operate on grant periods that extend beyond the District's June 30 fiscal year-end. As a result, a portion of the budgeted grant revenue had not yet been earned as of year-end. The largest variances were related to Section 32d Great Start Readiness Program funding ($1.8 million), GSRP startup funding ($1.3 million), Section 107a Adult Education Innovation funding ($1.4 million), and Section 27b Grow Your Own funding ($2.8 million).
Federal sources	(1,237,244)	Federal sources revenue was approximately $1.2 million less than the final budget, primarily due to differences between the District's fiscal year and the grant periods for several federal grants. The District's final budget reflects the full grant award; however, certain federal grants operate on grant periods that extend beyond the District's June 30 fiscal year-end. As a result, a portion of the budgeted grant revenue had not yet been earned as of year-end. The largest variances were related to the Title I Regional Assistance Grant ($512,000), Great Start to Quality grants ($247,000), and the McKinney-Vento Homeless Assistance grant ($212,000).
EXPENDITURES		
Support services - Instructional staff	2,419,663	Instructional staff support services expenditures were approximately $2.4 million less than the final budget, primarily due to lower-than-anticipated expenditures in the Section 27b Grow Your Own and Section 107a Adult Education Innovation grants. Grow Your Own expenditures were approximately $1.9 million less than budgeted, primarily due to tuition expenditures being approximately $1.8 million lower than anticipated for the fiscal year. Adult Education Innovation expenditures were approximately $278,000 less than budgeted across several expenditure categories, primarily professional and technical services. Together, these grant-related variances accounted for approximately 92% of the total variance.
Interdistrict transactions	6,252,303	Interdistrict transaction expenditures were approximately $6.3 million less than the final budget, primarily because subrecipients did not fully utilize their budgeted grant allocations during the fiscal year. The final budget reflected the amounts available to subrecipients, while actual expenditures reflected amounts reimbursed based on eligible costs incurred. Significant unspent allocations included approximately $2.7 million for Section 32d Great Start Readiness Program, $975,000 for Section 107a Adult Education Innovation, $857,000 for Section 27b Grow Your Own, and $529,000 for the Title I Regional Assistance Grant. In addition, the District budgeted approximately $550,000 to transfer projected interest earnings associated with state Grow Your Own funds; however, the State subsequently informed the District that these funds would not be required to be transferred.

NOTE 2 - BUDGETARY COMPARISON (continued)

Significant Variances Between the Special Education Fund Original and Final Budget

	Variance	Explanation
REVENUES		
Local sources	$ 4,022,817	Local sources revenue exceeded the original budget by approximately $4.0 million, primarily due to higher-than-budgeted Medicaid Direct Care Services (DCS) and Caring4Students (C4S) revenue. DCS revenue exceeded the original budget by approximately $2.9 million, while C4S revenue was approximately $442,000 higher than budgeted. At the time the original budget was adopted, final allocations were not known and conservative assumptions were used to estimate these revenues. Actual results were higher than projected across several components of the Medicaid funding formula, including ISD-wide costs, indirect cost rates, direct service percentages, and the Medicaid eligibility rate. Interest revenue also exceeded the original budget estimate by approximately $439,000.
Federal sources	1,746,729	Federal sources revenue increased by approximately $1.7 million from the original to final budget, primarily due to higher Special Education IDEA Flowthrough revenue ($802,150) and Medicaid AOP revenue ($812,840). The IDEA increase was primarily attributable to carryover of unspent grant funds from the prior year that was not included in the original budget. Historically, the District budgeted IDEA Flowthrough funding with the expectation that grant funds would be fully spent in the first year. Based on recent experience showing recurring IDEA carryover, the District has revised its budgeting approach to include an estimated portion of anticipated carryover in the subsequent year.
Interdistrict	2,060,506	Interdistrict revenue increased by approximately $2.1 million from the original to final budget, primarily due to offsetting changes in special education transportation revenue and countywide center program billbacks. Special education transportation revenue increased by approximately $5.2 million, reflecting higher transportation costs, including increased labor and fuel costs, that are billed to local districts based on each student's district of residence. This increase was partially offset by the elimination of approximately $3.3 million originally budgeted as a billback to local districts for countywide center program excess costs. Sufficient prior-year fund balance was available to absorb these costs, eliminating the need for the billback in the final budget.
EXPENDITURES		
Instruction - Student instruction and added needs	1,732,008	Instruction expenditures decreased by approximately $1.7 million from the original to final budget, primarily due to lower-than-anticipated enrollment growth in the District's Empower U transition programs. The original budget included additional classroom positions based on projected enrollment growth and the potential number of students transitioning into the programs from local districts. Actual enrollment was lower than projected, resulting in fewer additional classrooms being opened and the related positions remaining unfilled. Salaries and employee benefits accounted for approximately $1.6 million, or 92%, of the total variance.

NOTE 2 - BUDGETARY COMPARISON (continued)

Significant Variances Between the Special Education Fund Original and Final Budget (continued)

	Variance	Explanation
EXPENDITURES (continued)		
Support services - Pupil services	$ 1,542,859	Pupil services expenditures decreased by approximately $1.5 million from the original to final budget, primarily due to several budgeted Center Programs support positions remaining unfilled during the year, including a Speech and Language Therapist, three Instructional Consultants, and a Physical Therapist. These vacancies resulted in approximately $1.8 million of lower salary and benefit expenditures, partially offset by increases in other pupil services expenditures. In response to the vacancies, the District reevaluated provider caseloads and strategically reassigned existing staff to meet service needs while remaining within applicable state caseload requirements.
Support services - Transportation services	(5,188,044)	Transportation services expenditures increased by approximately $5.2 million from the original to final budget, primarily due to higher contracted carrier costs. The original budget was developed using historical cost trends prior to negotiation of a five-year contract extension in summer 2025. The new contract increased the base rate by 9.71% and included a fuel surcharge that increases the hourly cost per route when fuel prices exceed $3.00 per gallon. Higher fuel prices during the year resulted in additional costs under this provision. As a result, the final budget for contracted carrier services increased by approximately $5.4 million from the original budget.
Support services - Central services	(1,548,222)	Central services expenditures increased by approximately $1.5 million from the original to final budget, primarily due to a new multi-year PowerSchool software agreement that resulted in the recognition of approximately $1.9 million in SBITA expenditures. At the time the original budget was developed, the PowerSchool arrangement had historically been renewed annually and the decision to enter into a multi-year agreement had not yet been made. The multi-year agreement was finalized after adoption of the original budget, and the related SBITA expenditures were subsequently incorporated through the District's budget amendment process.
Interdistrict transactions	(4,287,127)	Interdistrict transaction expenditures increased by approximately $4.3 million from the original to final budget, primarily due to higher-than-anticipated Medicaid funding. The original budget used conservative assumptions for several components of the Medicaid funding formula; however, actual funding was higher than projected. Because the District distributes the majority of Medicaid funding to participating local districts after retaining amounts necessary to administer the program, the increase in Medicaid revenue resulted in a corresponding increase in distributions to local districts.

NOTE 2 - BUDGETARY COMPARISON (continued)

Significant Variances Between the Special Education Fund Original and Final Budget (continued)

	Variance	Explanation
OTHER FINANCING SOURCES (USES)		
Proceeds from subscription-based IT arrangements	$ 2,019,455	Proceeds from subscription-based information technology arrangements increased by approximately $2.0 million from the original to final budget, primarily due to the District entering into a new multi-year PowerSchool software agreement. At the time the original budget was developed, the PowerSchool arrangement had historically been renewed annually and the decision to enter into a multi-year agreement had not yet been made. The agreement was finalized after adoption of the original budget, resulting in the recognition of SBITA proceeds that were subsequently incorporated through the District's budget amendment process.
Transfers out	(1,623,665)	Transfers out increased by approximately $1.6 million from the original to final budget to provide additional funding for the final phase of the Educational Services Center renovation. The additional transfer supported renovation of the Special Education administrative offices and the purchase of replacement furniture associated with the project.

Significant Variances Between the Special Education Fund Final Budget and Actual

There were no variances between the final budget and actual that the district deemed to be significant.

Significant Variances Between the Career Technical Education Fund Original and Final Budget

	Variance	Explanation
EXPENDITURES		
Instruction - Student instruction and added needs	$ (1,189,452)	Student instruction and added needs expenditures increased by approximately $1.2 million from the original to final budget, primarily due to additional equipment purchases. At the time the original budget was adopted, the District had not yet identified the specific equipment purchases to be made during the year, and funding for anticipated capital outlay was initially included within the support services - operations and maintenance budget line item. As specific equipment needs were identified, approximately $959,000 was reallocated to the appropriate instructional functions in the final budget, accounting for approximately 81% of the total variance.
Support services - Operation and maintenance	1,151,503	Support services - operations and maintenance expenditures decreased by approximately $1.2 million from the original to final budget, primarily due to the reallocation of capital outlay funding. At the time the original budget was adopted, the District had not yet identified all specific equipment purchases to be made during the year, so anticipated capital outlay funding was initially budgeted within the support services - operations and maintenance budget line item. As specific equipment needs were identified, the related funding was reallocated to the appropriate expenditure functions. Capital outlay expenditures within operations and maintenance decreased by approximately $2.0 million from the original budget, with increases in other expenditure budgets partially offsetting this reduction.

NOTE 2 - BUDGETARY COMPARISON (continued)

Significant Variances Between the Career Technical Education Fund Original and Final Budget (continued)

	Variance	Explanation
OTHER FINANCING SOURCES (USES)		
Transfers in	$ 640,700	Transfers in increased by approximately $641,000 from the original to final budget, primarily due to a change in the methodology used to allocate certain facilities department costs to special education programs. Beginning in fiscal year 2026, rather than directly charging a percentage of certain facilities staff wages to center program locations, the District allocated these costs based on the percentage of facility square footage attributable to special education programs and recorded the allocation through a year-end transfer. This methodology was implemented after the original budget was adopted and resulted in approximately $437,000 of additional transfers in the final budget.

Significant Variances Between the Career Technical Education Fund Final Budget and Actual

	Variance	Explanation
EXPENDITURES		
Support services - Operation and maintenance	$ 356,557	Support services - Operations and maintenance expenditures were approximately $357,000 less than the final budget, primarily due to the timing of planned summer maintenance and capital projects. Several projects anticipated to be completed before the end of fiscal year 2026 were delayed until July or August 2026. Because the work was completed after June 30, the related expenditures were recognized in fiscal year 2027 rather than fiscal year 2026. Purchased services and capital outlay accounted for approximately $240,000, or 67%, of the total variance.

NOTE 3 - PENSION INFORMATION

Benefit Changes

There were no changes of benefit terms for each of the reported plan years ended September 30.

Changes in Assumptions

There were no significant changes of benefit assumptions for each of the reported plan years ended September 30 except for the following:

- 2023 - The valuation includes the impact of an updated experience study for periods from 2017 to 2022.
- 2022 - The discount rate and investment rate of return used in the September 30, 2021, actuarial valuation decreased by 0.80 percentage points.
- 2019 - The discount rate used in the September 30, 2018, actuarial valuation decreased by 0.25 percentage points.

NOTE 3 - PENSION INFORMATION (continued)

Changes in Assumptions (continued)

- 2018 - The discount rate used in the September 30, 2017, actuarial valuation decreased by 0.45 percentage points. The valuation also includes the impact of an updated experience study for periods from 2012 to 2017.

- 2017 - The discount rate used in the September 30, 2016, actuarial valuation decreased by 0.50 percentage points.

NOTE 4 - OPEB INFORMATION

Benefit Changes

There were no changes of benefit terms for each of the reported plan years ended September 30.

Changes in Assumptions

There were no significant changes of benefit assumptions for each of the reported plan years ended September 30 except for the following:

- 2025 - The health care cost trend rate used in the September 30, 2024, actuarial valuation increased by 0.50 percentage points for members under 65. This increased the plan's total OPEB liability by $267 million in 2025.

- 2024 - The health care cost trend rate used in the September 30, 2023, actuarial valuation decreased by 0.25 percentage points for members under 65 and increased by 0.25 percentage points for members over 65.

- 2023 - The health care cost trend rate used in the September 30, 2022, actuarial valuation decreased by 0.25 percentage points for members under 65 and increased by 1.00 percentage point for members over 65. In addition, actual per person health benefit costs were lower than projected. The valuation includes the impact of an updated experience study for periods from 2017 to 2022.

- 2022 - The discount rate and investment rate of return used in the September 30, 2021, actuarial valuation decreased by 0.95 percentage points. This resulted in lower than projected per person health benefit costs to reduce the plan's total OPEB liability by an additional $1.1 billion in 2022.

- 2021 - The health care cost trend rate used in the September 30, 2020, actuarial valuation increased by 0.75 percentage points for members under 65 and decreased by 1.75 percentage points for members over 65. In addition, actual per person health benefit costs were lower than projected. This reduced the plan's total OPEB liability by $1.3 billion in 2021.

- 2020 - The health care cost trend rate used in the September 30, 2019, actuarial valuation decreased by 0.50 percentage points and actual per person health benefit costs were lower than projected. This reduced the plan's total OPEB liability by $1.8 billion in 2020.

NOTE 4 - OPEB INFORMATION (continued)

Changes in Assumptions (continued)

- 2019 - The discount rate used in the September 30, 2018, actuarial valuation decreased by 0.20 percentage points. The valuation also includes the impact of an updated experience study for periods from 2012 to 2017. This resulted in lower than projected per person health benefit costs to reduce the plan's total OPEB liability by an additional $1.4 billion in 2019.

- 2018 - The discount rate used in the September 30, 2017, actuarial valuation decreased by 0.35 percentage points. The valuation also includes the impact of an updated experience study for periods from 2012 to 2017. This resulted in lower than projected per person health benefit costs to reduce the plan's total OPEB liability by $1.4 billion in 2018.

ADDITIONAL SUPPLEMENTARY INFORMATION

KENT INTERMEDIATE SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2026

	Special Revenue			Capital Projects		
	Cooperative Education	Student/ School Activities	Community Service	General Education	Career Technical Education	Total
ASSETS						
Cash and cash equivalents	$ 150,871	$ 74,628	$ 105,749	$ 74,619	$ 75,248	$ 481,115
Investments	2,339,903	1,300,003	-	1,127,488	14,210,278	18,977,672
Accounts receivable	772	9,531	-	1,135	-	11,438
Taxes receivable	-	-	13,450	-	549	13,999
Intergovernmental receivable	643,618	140	6,057	-	2,111	651,926
Prepaids	30,947	-	-	-	-	30,947
TOTAL ASSETS	$ 3,166,111	$ 1,384,302	$ 125,256	$ 1,203,242	$ 14,288,186	$ 20,167,097
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	$ 28,190	$ 20,258	$ -	$ 57,602	$ 506,937	$ 612,987
Retainage payable	-	-	-	121,882	-	121,882
Accrued salaries and related items	241,834	6,390	-	-	-	248,224
Accrued retirement	46,046	-	-	-	-	46,046
Due to internal service fund	5,870	-	-	-	-	5,870
Intergovernmental payable	-	-	125,256	-	266	125,522
TOTAL LIABILITIES	321,940	26,648	125,256	179,484	507,203	1,160,531
FUND BALANCES						
Nonspendable for prepaids	30,947	-	-	-	-	30,947
Committed						
Center program facility needs	-	-	-	-	1,000,000	1,000,000
Other capital needs	-	-	-	438,952	11,565,133	12,004,085
Cooperative education	2,813,224	-	-	-	-	2,813,224
Student/school activities	-	1,357,654	-	-	-	1,357,654
Assigned for:						
Capital projects	-	-	-	584,806	1,215,850	1,800,656
TOTAL FUND BALANCES	2,844,171	1,357,654	-	1,023,758	13,780,983	19,006,566
TOTAL LIABILITIES AND FUND BALANCES	$ 3,166,111	$ 1,384,302	$ 125,256	$ 1,203,242	$ 14,288,186	$ 20,167,097

KENT INTERMEDIATE SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2026

	Special Revenue			Capital Projects			
					Formally Nonmajor		
	Cooperative Education	Student/ School Activities	Community Service	General Education	Special Education	Career Technical Education	Total
REVENUES							
Local sources							
Property taxes	$ -	$ -	$ 30,902,001	$ -	$ -	$ 3,636,216	$ 34,538,217
Investment earnings	52,915	43,265	-	69,841	-	198,804	364,825
Student/school activities	-	269,351	-	-	-	-	269,351
Other	122,340	-	262,812	-	-	2,461	387,613
Total local sources	175,255	312,616	31,164,813	69,841	-	3,837,481	35,560,006
State sources	602,569	3,060	398,850	-	-	98,449	1,102,928
Federal sources	-	-	-	22,748	-	47,129	69,877
Interdistrict	3,633,486	-	-	-	-	-	3,633,486
TOTAL REVENUES	4,411,310	315,676	31,563,663	92,589	-	3,983,059	40,366,297
EXPENDITURES							
Current							
Instruction	1,827,340	-	-	-	-	-	1,827,340
Supporting services	3,702,980	-	17,079	-	-	-	3,720,059
Interdistrict transactions	-	-	31,274,589	-	-	-	31,274,589
Student/school activities	-	190,679	-	-	-	-	190,679
Capital outlay	-	-	-	3,687,998	-	3,187,953	6,875,951
TOTAL EXPENDITURES	5,530,320	190,679	31,291,668	3,687,998	-	3,187,953	43,888,618
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,119,010)	124,997	271,995	(3,595,409)	-	795,106	(3,522,321)
OTHER FINANCING SOURCES (USES)							
Transfers in	974,500	-	-	4,075,925	-	10,010,881	15,061,306
Transfers out	(146,765)	-	(271,995)	(160,109)	-	(21,930)	(600,799)
TOTAL OTHER FINANCING SOURCES (USES)	827,735	-	(271,995)	3,915,816	-	9,988,951	14,460,507
NET CHANGE IN FUND BALANCES	(291,275)	124,997	-	320,407	-	10,784,057	10,938,186
FUND BALANCES							
Beginning of year, as previously presented	3,135,446	1,232,657	-	703,351	6,233,021	2,996,926	14,301,401
Adjustments to beginning fund balances	-	-	-	-	(6,233,021)	-	(6,233,021)
Beginning of year, as restated	3,135,446	1,232,657	-	703,351	-	2,996,926	8,068,380
End of year	$ 2,844,171	$ 1,357,654	$ -	$ 1,023,758	$ -	$ 13,780,983	$ 19,006,566

Maner Costerisan

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

2851 Charlevoix Dr SE #300,
Grand Rapids, MI 49546

517.323.7500

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

To the Board of Education
Kent Intermediate School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Kent Intermediate School District, as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise Kent Intermediate School District's basic financial statements, and have issued our report thereon dated October 27, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Kent Intermediate School District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Kent Intermediate School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Kent Intermediate School District's 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of This Report

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

Maner Costerisan PC

Lansing, Michigan
October 27, 2026

Maner Costerisan

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

2851 Charlevoix Dr SE #300,
Grand Rapids, MI 49546

517.323.7500

October 27, 2026

To the Board of Education
Kent Intermediate School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Kent Intermediate School District for the year ended June 30, 2026. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information orally during our discussion on June 15, 2026. 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. The significant accounting policies used by Kent Intermediate School District are described in Note 1 to the financial statements. As described in Note 12 to the financial statements, the District adopted Governmental Accounting Standards Board (GASB) Statements No. 103, *Financial Reporting Model Improvements* and No. 104, *Disclosure of Certain Capital Assets* during the year ended June 30, 2026. Accordingly, the cumulative effects of the accounting changes are reported in the applicable financial statements and note disclosures. We noted no transactions entered into by Kent Intermediate School District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Management's calculation of the depreciation expense is based on the estimated useful lives of the capital assets.

Management's calculation of the accrued compensated absences is based on current hourly rates, historical usage, and policies regarding payment of sick and vacation banks.

The calculation of the net pension liability and related deferred outflows and inflows of resources is based on an actuarial study which utilized certain actuarial assumptions.

The calculation of the net other post-employment benefits asset and related deferred outflows and inflows of resources is based upon an actuarial study which utilized certain actuarial assumptions.

Management's estimate of the discount rate used for leases/SBITAs, the lease/SBITA term and lease/SBITA payments/receipts is based on Kent Intermediate School District's incremental borrowing rate and consideration of the noncancelable period of the lease/SBITA and reasonably certain lease/SBITA options.

We evaluated the key factors and assumptions used to develop these accounting estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

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 known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. 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 each opinion unit's 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 27, 2026.

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 Kent Intermediate School 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 Kent Intermediate School 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) that supplements 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 other supplementary information, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing 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 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 management and members of the Board of Education of Kent Intermediate School District and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Maner Costerisan PC

Lansing, Michigan