



# WEINLANDER FITZHUGH

REESE PUBLIC SCHOOLS  
REESE, MICHIGAN

FINANCIAL STATEMENTS  
JUNE 30, 2021

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# WEINLANDER FITZHUGH

CERTIFIED PUBLIC ACCOUNTANTS  
& CONSULTANTS

## INDEPENDENT AUDITOR'S REPORT

September 3, 2021

Board of Education  
Reese Public Schools  
Reese, Michigan

### **Report on the Financial Statements**

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

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Reese Public Schools as of June 30, 2021 and the respective changes in financial position for the year then ended in accordance with U.S. generally accepted accounting principles.

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Board of Education  
Reese Public Schools  
September 3, 2021

## ***Other Matters***

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The combining nonmajor fund financial statements and schedule of bonded indebtedness are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is also not a required part of the basic financial statements.

The combining nonmajor fund financial statements, schedule of bonded indebtedness and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the combining nonmajor fund financial statements, schedule of bonded indebtedness and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.



# WEINLANDER FITZHUGH

Board of Education  
Reese Public Schools  
September 3, 2021

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 3, 2021, on our consideration of the 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 the 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 the School District's internal control over financial reporting and compliance.

*Weinlander Fitzhugh*

**REESE PUBLIC SCHOOLS**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2021

Our discussion and analysis of Reese Public Schools' (School District) financial performance provides an overview of the School District's financial activities for the fiscal year ended June 30, 2021.

**Financial Highlights**

The School District's net position increased by \$240,328 or 3%. Program revenues were \$3,385,843 or 31% of total revenues, and general revenues were \$7,511,104 or 69%.

The General Fund reported a positive fund balance of \$1,560,793. The Capital Projects Fund reported a positive fund balance of \$1,596,042. The 2015 Debt Retirement Fund reported a positive fund balance of \$1,149,034.

**Using this Annual Financial Report**

This annual financial report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the School District financially as a whole. The *District-wide Financial Statements* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the district-wide financial statements by providing information about the School District's most significant funds - the General Fund, Capital Projects Fund, and 2015 Debt Retirement Fund with all other funds presented in one column as nonmajor funds. The following summarizes the presentation included in this annual financial report.

Management's Discussion and Analysis (MD&A) (Required Supplemental Information)

Basic Financial Statements

- District-wide Financial Statements
- Fund Financial Statements
- Notes to the Basic Financial Statements

Budgetary Information for the General Fund (Required Supplemental Information)

Pension Schedules (Required Supplemental Information)

OPEB Schedules (Required Supplemental Information)

Other Supplemental Information

REESE PUBLIC SCHOOLS  
Management's Discussion and Analysis  
For the Year Ended June 30, 2021

**Reporting the District as a Whole**

*The Statement of Net Position and Statement of Activities*

One of the most important questions asked about the School District's finances is: "Is the School District better or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the School District as a whole and about its activities in a manner that helps to answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector companies. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

These two statements report the School District's net position as a way to measure the School District's financial position. The change in net position provides the reader a tool to assist in determining whether the School District's financial health is improving or deteriorating. The reader will need to consider other nonfinancial factors such as property tax base, student enrollment growth and facility conditions in arriving at their conclusion regarding the overall health of the School District.

**Reporting the District's Most Significant Funds**

*Fund Financial Statements*

The School District's fund financial statements provide detailed information about the most significant funds - not the School District as a whole. Some funds are required to be established by State law and by bond covenants. Other funds are established to help it control and manage money for particular purposes or to meet legal responsibilities for using certain taxes, grants and other sources of revenue.

*Governmental Funds*

Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources available to spend in the near future to finance the School District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the basic financial statements.

**REESE PUBLIC SCHOOLS**  
**Management's Discussion and Analysis**  
For the Year Ended June 30, 2021

**District-wide Financial Analysis**

The statement of net position provides the perspective of the School District as a whole. Exhibit A provides a summary of the School District's net position as of June 30, 2021 and 2020:

<b>Exhibit A</b>	<u>Governmental Activities</u>	
	<u>2021</u>	<u>2020</u>
<b>Assets</b>		
Current and other assets	\$ 6,294,423	\$ 5,918,315
Capital assets - net of accumulated depreciation	7,146,696	7,052,235
Total assets	<u>13,441,119</u>	<u>12,970,550</u>
<b>Deferred Outflows of Resources</b>		
Related to refunding	79,657	88,849
Related to pensions and OPEB	4,016,455	4,708,933
Total deferred outflows of resources	<u>4,096,112</u>	<u>4,797,782</u>
<b>Liabilities</b>		
Current liabilities	1,877,917	1,758,316
Long-term liabilities	20,718,997	21,442,840
Total liabilities	<u>22,596,914</u>	<u>23,201,156</u>
<b>Deferred Inflows of Resources</b>		
Related to pensions and OPEB	2,625,473	2,492,660
<b>Net Position</b>		
Net investment in capital assets	2,846,345	2,353,575
Restricted	2,940,637	2,762,155
Unrestricted	(13,472,138)	(13,041,214)
Total net position	<u>\$ (7,685,156)</u>	<u>\$ (7,925,484)</u>

The analysis above focuses on net position (see Exhibit A). The School District's net position was \$(7,685,156) at June 30, 2021. Investment in property and equipment, net of related debt totaling \$2,846,345, compares the original costs less depreciation of the School District's capital assets to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net position is reported separately to show legal constraints from debt requirements and legislation that limit the School District's ability to use the net position for day-to-day operations.

The \$(13,472,138) in unrestricted net position of governmental activities represents the *accumulated* results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net position from year to year.

**REESE PUBLIC SCHOOLS**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2021**

The School District implemented GASB Statement No. 68 in 2015. The effect of this Statement required the School District to report in the summary of net position, a liability of \$14,394,071 for 2021 and \$14,006,467 for 2020.

The School District implemented GASB Statement No. 75 in 2018. The effect of this Statement required the School District to report in the summary of net position, a liability of \$2,259,884 for 2021 and \$2,948,022 for 2020.

The results of this year's operations for the School District as a whole are reported in the statement of activities. Exhibit B provides a summary of the changes in net position for the years ended June 30, 2021 and 2020.

<b>Exhibit B</b>	<u>Governmental Activities</u>	
	<u>2021</u>	<u>2020</u>
<b>Revenues</b>		
Program revenue:		
Charges for services	\$ 351,729	\$ 302,638
Grants and categoricals	3,034,114	2,455,626
General revenue:		
Property taxes	2,027,648	1,905,487
State aid	5,446,607	5,404,317
Other	36,849	337,713
Total revenues	<u>10,896,947</u>	<u>10,405,781</u>
<b>Function/Program Expenses</b>		
Instruction	5,934,944	5,737,822
Support services	3,055,061	3,014,692
Community services	31,734	34,337
Food services	724,459	499,083
Athletics	225,485	206,085
Student/school activities	136,933	233,408
Capital outlay	37,820	13,137
Interest on long-term debt	126,686	139,853
Depreciation	383,497	368,919
Total expenses	<u>10,656,619</u>	<u>10,247,336</u>
<b>Change in Net Position</b>	<u>\$ 240,328</u>	<u>\$ 158,445</u>

As reported in the statement of activities, the cost of all of our governmental activities this year was \$10,656,619. Certain activities were partially funded from those who benefited from the programs, \$351,729, or by the other governments and organizations that subsidized certain programs with grants and categoricals of \$3,034,114. We paid for the remaining "public benefit" portion of our governmental activities with \$2,027,648 in taxes, \$5,446,607 in State aid and with our other revenues, such as interest and entitlements.

**REESE PUBLIC SCHOOLS**  
**Management's Discussion and Analysis**  
For the Year Ended June 30, 2021

The School District had an increase in net position of \$240,328. The major reason was due to increased federal funding related to COVID-19. The increase in net position differs from the change in fund balance and a reconciliation appears in the financial statements.

**The School District's Funds**

The School District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the School District is being accountable for the resources taxpayers and others provide to it and may provide more insight into the School District's overall financial health.

The School District's governmental funds reported a combined fund balance of \$4,841,820, which is above last year's total of \$4,587,311. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2021 and 2020.

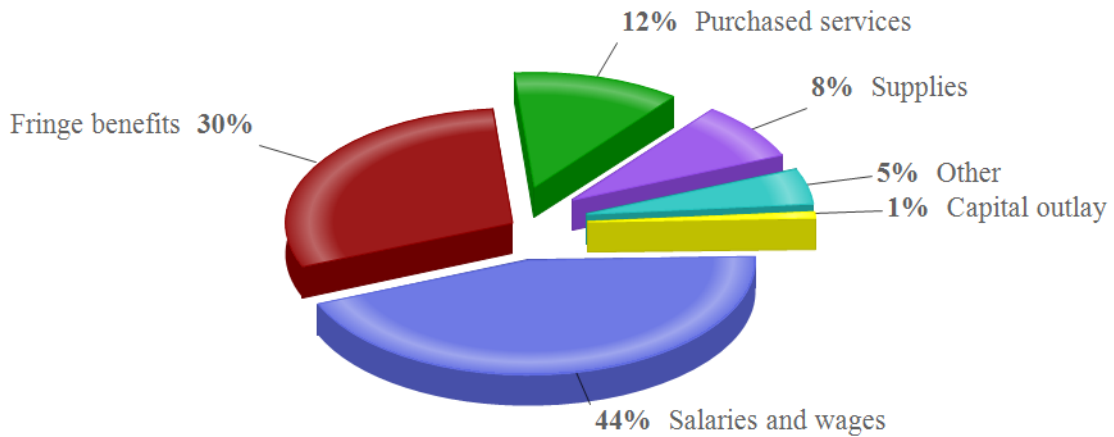
	Fund Balance <u>6/30/2021</u>	Fund Balance <u>6/30/2020</u>	Increase (Decrease)
General	\$ 1,560,793	\$ 1,454,860	\$ 105,933
Capital Projects	1,596,042	1,538,578	57,464
Debt Retirement	1,149,034	1,033,534	115,500
Special Revenue	535,951	560,339	(24,388)
	<u>\$ 4,841,820</u>	<u>\$ 4,587,311</u>	<u>\$ 254,509</u>

- Our General Fund increase is mainly attributable to additional federal funds to help cover technology, cleaning supplies and restructuring of administrative staff.
- Our Capital Projects Fund increased due to projects being postponed due to COVID-19.
- Our Debt Service Funds increased due to taxes being collected based on a large amount of tax tribunals currently in court.
- Our Special Revenue Funds decreased due to purchasing equipment for food service.

**REESE PUBLIC SCHOOLS**  
**Management's Discussion and Analysis**  
For the Year Ended June 30, 2021

As the graph below illustrates, the largest portions of General Fund expenditures are for salaries and fringe benefits. The School District by nature is a labor intensive organization.

**Expenditures**



<u>Expenditures by Object</u>	<u>2021</u>	<u>2020</u>
Salaries and wages	\$ 3,861,629	\$ 3,804,116
Fringe benefits	2,676,534	2,542,566
Purchased services	1,099,547	915,222
Supplies	760,622	474,017
Capital outlay	132,959	107,839
Other	427,711	465,998
Total	<u>\$ 8,959,002</u>	<u>\$ 8,309,758</u>

Expenditures have increased by \$649,244 mainly due to additional expenditures related to COVID-19, such as technology and PPE supplies.

**REESE PUBLIC SCHOOLS**  
**Management's Discussion and Analysis**  
For the Year Ended June 30, 2021

**General Fund Budgetary Highlights**

Over the course of the year, the School District revises its budget to reflect changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements. Changes to the General Fund original budget were as follows:

- Budgeted revenues increased due to the change in per pupil state formula and additional federal funds.
- Budgeted expenditures increased due to COVID-19 costs.
- Actual revenues were less than budgeted amounts by \$86,155 due to the timing of releasing federal funds.
- Actual expenditures were lower than budgeted amounts by \$124,427 due to the timing of building maintenance.

**Capital Assets**

At June 30, 2021, the School District had \$7,146,696 invested in a broad range of capital assets, including land, buildings, furniture and equipment. This amount represents a net increase (including additions and disposals) of 1% from last year.

	2021	2020
Land	\$ 519,823	\$ 519,823
Buildings and improvements	12,294,668	12,109,411
Buses and other vehicles	866,232	772,724
Furniture and equipment	439,521	252,416
Total capital assets	14,120,244	13,654,374
Less accumulated depreciation	6,973,548	6,602,139
Net capital assets	\$ 7,146,696	\$ 7,052,235

This year's additions of \$477,958 were for a sound and security system, gym floor renovations, bathroom remodeling, floor scrubber, kitchen equipment and a bus.

We anticipate capital additions will continue with the renovations to the high school and elementary school parking lots. Also, we will continue to upgrade boilers, roofs and building systems. We present more detailed information about our capital assets in the notes to the financial statements.

**Debt**

At the end of this year, the School District had \$3,925,000 in bonds outstanding versus \$4,280,000 in the previous year - a decrease of 8%.

	2021	2020
2015 Improvement Bonds	\$ 3,925,000	\$ 4,280,000

REESE PUBLIC SCHOOLS  
Management's Discussion and Analysis  
For the Year Ended June 30, 2021

**Factors Expected to have an Effect on Future Operations**

Our elected Board and administration considered many factors when setting the School District's 2022 fiscal year budget. One of the most important factors affecting the budget is our student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The 2022 fiscal year budget was adopted in June 2021, based on an estimate of students that will be enrolled in September 2021. Under State law, the School District cannot access additional property tax revenue for general operations. As a result, district funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2021-2022 school year, we anticipate that the fall student count will be close to the estimates used in creating the 2022 fiscal year budget. Once the final student count and related per pupil funding is validated, State law requires the School District to amend the budget if actual district resources are not sufficient to fund original appropriations.

Since the School District's revenue is heavily dependent on State funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to school districts. The State periodically holds a revenue-estimating conference to estimate revenues. Based on the results of the most recent conference, the State estimates funds are sufficient to fund the appropriation until 2021-2022.

**Requests for Information**

This financial report is designed to provide a general overview of the School District's finances for all those with an interest in the District. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Office of the Superintendent  
Reese Public Schools  
1696 VanBuren  
Reese, MI 48757

REESE PUBLIC SCHOOLS  
Statement of Net Position  
June 30, 2021

	<u>Governmental Activities</u>
Cash and investments	\$ 4,573,953
Receivables - net:	
Due from other governmental units	1,644,532
Accounts receivable	15,248
Prepaid expense	45,000
Deposits	15,690
Capital assets less accumulated depreciation \$6,973,548	<u>7,146,696</u>
Total assets	<u>13,441,119</u>
 <u>Deferred Outflows of Resources</u>	
Related to pensions	2,973,787
Related to OPEB	1,042,668
Loss on bond refunding	79,657
Total deferred outflows of resources	<u>4,096,112</u>
 <u>Liabilities</u>	
Accounts payable	85,929
Unearned revenue	38,515
Accrued interest payable	27,005
Accrued payroll and other liabilities	798,114
State aid anticipation note payable	530,045
Long-term liabilities:	
Due within one year	398,309
Due in more than one year	4,065,042
Net pension liability	14,394,071
Net OPEB liability	<u>2,259,884</u>
Total liabilities	<u>22,596,914</u>
 <u>Deferred Inflows of Resources</u>	
Related to pensions	837,331
Related to OPEB	<u>1,788,142</u>
Total deferred inflows of resources	<u>2,625,473</u>
 <u>Net Position</u>	
Net investment in capital assets	2,846,345
Restricted for debt service	1,122,028
Restricted for capital projects	1,596,042
Restricted for food service	222,567
Unrestricted	<u>(13,472,138)</u>
Total net position	<u>\$ (7,685,156)</u>

See accompanying notes to financial statements.

REESE PUBLIC SCHOOLS  
Statement of Activities  
For the Year Ended June 30, 2021

	Program Revenues			Governmental Activities
Expenses	Charges for Services	Operating Grants/ Contributions	Net (Expense) Revenue and Changes in Net Position	
<u>Functions/Programs</u>				
Primary government -				
Governmental activities:				
Instruction	\$ 5,934,944	\$ 175,759	\$ 1,679,877	\$ (4,079,308)
Support services	3,055,061	0	602,796	(2,452,265)
Community services	31,734	0	0	(31,734)
Food services	724,459	20,233	751,441	47,215
Athletics	225,485	28,871	0	(196,614)
Student/school activities	136,933	126,866	0	(10,067)
Capital outlay	37,820	0	0	(37,820)
Interest on long-term debt	126,686	0	0	(126,686)
Depreciation	383,497	0	0	(383,497)
	<u>\$ 10,656,619</u>	<u>\$ 351,729</u>	<u>\$ 3,034,114</u>	<u>(7,270,776)</u>
Total governmental activities				
General revenues:				
Taxes:				
Property taxes, levied for general purposes				1,022,035
Property taxes, levied for capital projects				386,769
Property taxes, levied for debt services				618,844
State aid				5,446,607
Interest and investment earnings				5,086
Other				31,763
				<u>7,511,104</u>
Total general revenues				
Change in net position				240,328
Net position - beginning of year				<u>(7,925,484)</u>
Net position - end of year				<u>\$ (7,685,156)</u>

See accompanying notes to financial statements.

**REESE PUBLIC SCHOOLS**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2021**

	General	Capital Projects	2015 Debt Retirement	Other Nonmajor Governmental Funds	Total
<u>Assets</u>					
Cash and investments	\$ 1,294,755	\$ 1,596,042	\$ 1,149,034	\$ 534,122	\$ 4,573,953
Receivables - net:					
Due from other funds	0	0	0	385	385
Due from other governmental units	1,621,713	0	0	22,819	1,644,532
Accounts receivable	15,248	0	0	0	15,248
Prepaid expenditures	0	0	0	45,000	45,000
Deposits	15,690	0	0	0	15,690
	<u>\$ 2,947,406</u>	<u>\$ 1,596,042</u>	<u>\$ 1,149,034</u>	<u>\$ 602,326</u>	<u>\$ 6,294,808</u>
<u>Liabilities and Fund Balance</u>					
<u>Liabilities</u>					
Accounts payable	\$ 27,940	\$ 0	\$ 0	\$ 57,989	\$ 85,929
Due to other funds	385	0	0	0	385
Unearned revenue	30,129	0	0	8,386	38,515
Accrued payroll and other liabilities	798,114	0	0	0	798,114
State aid anticipation note payable	530,045	0	0	0	530,045
	<u>1,386,613</u>	<u>0</u>	<u>0</u>	<u>66,375</u>	<u>1,452,988</u>
<u>Fund Balance</u>					
Nonspendable - prepaid	0	0	0	45,000	45,000
Restricted for debt service	0	0	1,149,034	0	1,149,034
Restricted for capital projects	0	1,596,042	0	0	1,596,042
Restricted for food service	0	0	0	177,567	177,567
Committed for student/school activities	0	0	0	313,384	313,384
Unassigned	1,560,793	0	0	0	1,560,793
	<u>1,560,793</u>	<u>1,596,042</u>	<u>1,149,034</u>	<u>535,951</u>	<u>4,841,820</u>
Total liabilities and fund balance	<u>\$ 2,947,406</u>	<u>\$ 1,596,042</u>	<u>\$ 1,149,034</u>	<u>\$ 602,326</u>	<u>\$ 6,294,808</u>

See accompanying notes to financial statements.

**REESE PUBLIC SCHOOLS**  
**Reconciliation of Balance Sheet of Governmental Funds**  
**to the Statement of Net Position**  
June 30, 2021

Total fund balance - governmental funds	\$ 4,841,820
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>	
<p>Capital assets used in governmental activities are not financial resources and are not reported in the funds</p>	
Cost of the capital assets	14,120,244
Accumulated depreciation	(6,973,548)
<p>Deferred outflows used in governmental activities are not financial resources and therefore are not reported in governmental funds:</p>	
Related to Pensions	2,973,787
Related to OPEB	1,042,668
Loss on bond refunding	79,657
<p>Long-term liabilities are not due and payable in the current period and are not reported in the funds:</p>	
Bonds payable	(3,925,000)
Compensated absences	(163,000)
Unamortized debt premium	(375,351)
Net pension liability	(14,394,071)
Net OPEB liability	(2,259,884)
Accrued interest payable is included as a liability in governmental activities	(27,005)
<p>Deferred inflows used in governmental activities are not recognized as current resources and therefore are not reported in governmental funds:</p>	
Related to pensions	(837,331)
Related to OPEB	(1,788,142)
Total net position - governmental activities	\$ (7,685,156)

See accompanying notes to financial statements.

**REESE PUBLIC SCHOOLS**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**For the Year Ended June 30, 2021**

	<u>General</u>	<u>Capital Projects</u>	<u>2015 Debt Retirement</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total</u>
Local sources	\$1,093,827	\$ 387,175	\$ 619,120	\$ 149,680	\$ 2,249,802
State sources	6,753,624	0	23,374	18,758	6,795,756
Federal sources	1,041,867	0	0	733,067	1,774,934
Transportation fees	1,170	0	0	0	1,170
Interdistrict and other sources	174,447	0	0	0	174,447
Total revenues	<u>9,064,935</u>	<u>387,175</u>	<u>642,494</u>	<u>901,505</u>	<u>10,996,109</u>
<u>Expenditures</u>					
Current:					
Instruction	5,627,680	0	0	0	5,627,680
Support services	3,067,321	0	0	0	3,067,321
Community services	31,734	0	0	0	31,734
Athletics	231,584	0	0	0	231,584
Food services	683	0	0	788,960	789,643
Student/school activities	0	0	0	136,933	136,933
Capital outlay	0	329,711	0	0	329,711
Principal	0	0	355,000	0	355,000
Interest and other	0	0	171,994	0	171,994
Total expenditures	<u>8,959,002</u>	<u>329,711</u>	<u>526,994</u>	<u>925,893</u>	<u>10,741,600</u>
Net change in fund balance	105,933	57,464	115,500	(24,388)	254,509
Fund balance - beginning of year	1,454,860	1,538,578	1,033,534	560,339	4,587,311
Fund balance - end of year	<u>\$1,560,793</u>	<u>\$1,596,042</u>	<u>\$ 1,149,034</u>	<u>\$ 535,951</u>	<u>\$ 4,841,820</u>

See accompanying notes to financial statements.

**REESE PUBLIC SCHOOLS**  
**Reconciliation of the Statement of Revenues, Expenditures and**  
**Changes in Fund Balance of Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2021**

Net change in fund balance - total governmental funds	\$ 254,509
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p style="padding-left: 20px;">Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation</p>	
Depreciation expense	(383,497)
Capital outlay	477,958
Repayment of bonds	355,000
<p>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, where as 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 as follows:</p>	
Amortization of bond premium	43,309
Amortization of loss on refunding	(9,192)
Increases in compensated absences are reported as a decrease in expenditures when financial resources are used in the governmental fund in accordance with GASB Interpretation No. 6	(11,000)
Decreases in accrued interest are reported as a reduction in expenditures on the Statement of Activities	1,998
<p>Some revenue and expenses reported in the statement of activities do not recognize as or require the use of current resources and, therefore, are not reported in the governmental funds:</p>	
Pension related items	(879,922)
OPEB related items	391,165
Change in net position of governmental activities	<u>\$ 240,328</u>

See accompanying notes to financial statements.

REESE PUBLIC SCHOOLS  
Notes to Financial Statements  
For the Year Ended June 30, 2021

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Reese Public Schools (School District) conform to U.S. generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the School District:

**Reporting Entity**

The School District is governed by an elected Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate component units of the School District. The School District has no component units.

**District-wide and Fund Financial Statements**

The district-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the School District's government-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes; (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items that are not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

REESE PUBLIC SCHOOLS  
Notes to Financial Statements  
For the Year Ended June 30, 2021

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

**District-wide Statements** - The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is 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 revenue in the year for which they are levied. Grants, categorical aid and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Amounts reported as program revenue include; (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions and (3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes and unrestricted State aid.

**Fund-based Statements** - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, unrestricted state aid, intergovernmental grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

The School District reports the following major governmental funds:

**General Fund** - The General Fund is used to record the general operations of the School District pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved current operating budget.

**Capital Projects Fund** - The Capital Projects Fund is used to account for the recording of transactions relative to the improvement of the facilities of the School District.

**2015 Debt Retirement Fund** - The Debt Retirement Fund is used to account for the recording of transactions relative to the debt retirement of the School District.

REESE PUBLIC SCHOOLS  
Notes to Financial Statements  
For the Year Ended June 30, 2021

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Assets, Liabilities, and Net Position or Equity**

**Cash and Investments** - Cash and cash equivalents include cash on hand, demand deposits and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

**Receivables and Payables** - In general, outstanding balances between funds are reported as "due to/from other funds." Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds."

**Prepaid Items** - Certain payments to vendors reflect costs applicable to future fiscal years and is recorded as prepaid items in both district-wide and fund financial statements.

**Capital Assets** - Capital assets, which include land, buildings, equipment and vehicles, are reported in the applicable governmental activities column in the district-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and any asset susceptible to theft. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure-type assets.

Buildings, equipment and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	20-50 years
Buses and other vehicles	8 years
Furniture and equipment	5-20 years

**Compensated Absences** - The liability for compensated absences reported in the district-wide statements consist of unpaid, accumulated annual and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

**Long-term Obligations** - In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

REESE PUBLIC SCHOOLS  
Notes to Financial Statements  
For the Year Ended June 30, 2021

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**Fund Equity** - The fund balance classifications are reported on the extent to which a government is bound to observe constraints imposed on the use of the resources in governmental funds. The fund balances are classified as nonspendable, restricted, committed, assigned and unassigned.

Nonspendable fund balance represents amounts that are not in a spendable form. The School District's nonspendable fund balance represents inventories and prepaid expenditures. In the fund financial statements, governmental funds report restrictions on fund balances for amounts that are legally restricted by outside parties for a specific purpose. Committed fund balance represents funds formally set aside by the School District for a particular purpose. The use of committed funds would be approved by the Board of Education through the budget process or official board action.

Assigned fund balance would represent tentative management plans that are subject to change which at the present time the School District does not have any assigned fund balance. The School District's intent would be to spend uncommitted/unassigned funds prior to the use of committed funds. When both restricted and unrestricted resources are available for use, it is the School District's policy to use restricted resources first, then unrestricted resources as they are needed.

**Deferred Outflows and Inflows of Resources**

**Deferred outflows** - In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. They are the deferred charge on refunding and pension and other postemployment benefits contributions reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. For district-wide financial statements, the School District reports deferred outflows of resources related to pensions and other postemployment benefits. This amount is the result of a difference between what the plan expected to earn from plan investments and what is actually earned. This amount will be amortized over the next four years and included in pension expense. Changes in assumptions relating to the net pension and other postemployment benefits liability are deferred and amortized over the expected remaining service lives of the employees and retirees in the plan. The School District also reported deferred outflows of resources for pension and other postemployment benefit contributions made after the measurement date. This amount will reduce the net pension liability in the following year.

REESE PUBLIC SCHOOLS  
Notes to Financial Statements  
For the Year Ended June 30, 2021

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Deferred Inflows** - In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. For district-wide financial statements, the School District reports deferred inflows of resources related to pensions and other postemployment benefits. This amount is the result of a difference between what the plan expected to earn from the plan investments and what the plan actually earned. This amount will be amortized over the next four years and included in pension and other postemployment benefits expense. Changes in assumptions relating to the net pension liability are deferred and amortized over the expected remaining service lives of the employees and retirees in the plan. Deferred inflows of resources also includes revenue received relating to Section 147c state aid deferred to offset the deferred outflows related to Section 147c pension contributions subsequent to the measurement period.

**Use of Estimates** - The process of preparing the basic financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenditures. 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.

**Property taxes** - For the taxpayers of the School District, properties are assessed as of December 31 and the related property taxes are levied and become a lien on July 1. The final collection date is February 28, after which uncollected taxes are added to the County delinquent tax rolls.

**State Aid** - For the fiscal year ended June 30, 2021, the State of Michigan adopted a foundation grant approach which provides for a specific annual amount of revenue per student 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 year ended June 30, 2021, the foundation allowance was based on the average pupil membership counts taken in February 2020 and September 2020.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The state revenue is recognized during the foundation period (currently the fiscal year) and is funded through payments from October 2020 - August 2021. The local revenue is recognized as outlined in Note 1. Amounts receivable from the State of Michigan at June 30, 2021 relating to state aid is \$1,197,608.

The School 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 categorical funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

**REESE PUBLIC SCHOOLS**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2021**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Events Occurring After Reporting Date** - Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through the date of the accompanying Independent Auditor's Report, which is the date the financial statements were available to be issued.

**NOTE 2 - BUDGETS**

The State of Michigan adopted a Uniform Budgeting and Accounting Act (Act) applicable to all local governmental entities in the state. The law requires appropriation acts to be adopted for General and Special Revenue Funds of school districts prior to the expenditure of monies in a fiscal year.

Reese Public Schools follows these procedures in establishing the budgetary data reflected in the financial statements.

1. The School District's Superintendent submits to the Board of Education a proposed budget prior to July 1 of each year. The budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Budgeted amounts are as originally adopted, or as amended by the Board of Education throughout the year. Budgets are adopted to the functional level.
4. Appropriations lapse at year-end and therefore cancel all encumbrances. These appropriations are re-established at the beginning of the following year.

A comparison of actual results of operations to the budgeted amounts (at the level of control adopted by the Board of Education) for the General Fund is presented as Required Supplemental Information.

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.

**NOTE 3 - CASH AND INVESTMENTS**

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

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

REESE PUBLIC SCHOOLS  
Notes to Financial Statements  
For the Year Ended June 30, 2021

**NOTE 3 - CASH AND INVESTMENTS (CONTINUED)**

2. 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.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or federal agency obligations repurchase agreements.
5. Bankers acceptances of United States banks.
6. 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.

At year-end, the School District's deposits and investments were reported in the basic financial statements in the following categories:

	Primary Government
Cash and cash equivalents	\$ <u>4,573,953</u>

As of June 30, 2021 the School District had deposits and investments subject to the following risk:

**Custodial credit risk - deposits.** In the case of deposits, this is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. As of June 30, 2021, \$4,471,728 of the School District's bank balance of \$5,080,423 was exposed to custodial credit risk because it was uninsured and uncollateralized.

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

REESE PUBLIC SCHOOLS  
Notes to Financial Statements  
For the Year Ended June 30, 2021

**NOTE 3 - CASH AND INVESTMENTS (CONTINUED)**

The School 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 School District will do business.

**Interest rate risk.** In accordance with its investment policy, the School 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 School District's cash requirements.

<b>Investment type</b>	<b>Fair value</b>	<b>Weighted average maturity (years)</b>
MILAF External Investment Pool - CMC	\$ <u>108,789</u>	N/A

**Concentration of credit risk.** The School District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the School 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 by credit quality.

<b>Investment type</b>	<b>Fair value</b>	<b>Rating</b>	<b>Rating Agency</b>
MILAF External Investment Pool - CMC	\$ <u>108,789</u>	AAAm	Standard & Poor's

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

**Fair value measurement.** The School 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:

**REESE PUBLIC SCHOOLS**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2021**

**NOTE 3 - CASH AND INVESTMENTS (CONTINUED)**

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 School District's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

The School District does not have any investments subject to the fair value hierarchy.

The School 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 School District is the Michigan Investment Liquid Asset Fund (MILAF). MILAF funds are considered external investment pools as defined by the GASB and as such are recorded at amortized cost which approximates fair value. The MILAF (MAX Class) fund requires notification of redemptions prior to 14 days to avoid penalties. These funds are not subject to the fair value disclosures.

	Amortized Cost
MILAF External Investment pool - CMC	<u>\$ 108,789</u>

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.

**REESE PUBLIC SCHOOLS**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2021**

**NOTE 4 - CAPITAL ASSETS**

A summary of changes in governmental capital assets follows:

	<u>Balance</u> <u>June 30, 2020</u>	<u>Additions</u>	<u>Disposals and</u> <u>Adjustments</u>	<u>Balance</u> <u>June 30, 2021</u>
Assets not being depreciated:				
Land	\$ 519,823	\$ 0	\$ 0	\$ 519,823
Capital assets being depreciated:				
Buildings and improvements	12,109,411	185,257	0	12,294,668
Buses and other vehicles	772,724	93,508	0	866,232
Furniture and equipment	252,416	199,193	(12,088)	439,521
Subtotal	<u>13,134,551</u>	<u>477,958</u>	<u>(12,088)</u>	<u>13,600,421</u>
Accumulated depreciation:				
Buildings and improvements	6,049,792	290,852	0	6,340,644
Buses and other vehicles	405,444	71,025	0	476,469
Furniture and equipment	146,903	21,620	(12,088)	156,435
Subtotal	<u>6,602,139</u>	<u>383,497</u>	<u>(12,088)</u>	<u>6,973,548</u>
Net capital assets being depreciated	<u>6,532,412</u>	<u>94,461</u>	<u>0</u>	<u>6,626,873</u>
Net capital assets	<u>\$ 7,052,235</u>	<u>\$ 94,461</u>	<u>\$ 0</u>	<u>\$ 7,146,696</u>

Depreciation expense for fiscal year ended June 30, 2021 was \$383,497. The School District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

**NOTE 5 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

A summary of interfund receivable and payable balances at June 30, 2021 are as follows:

		<u>Payables</u>
		<u>General</u>
Receivables	Food Service	<u>\$ 385</u>

These interfund receivable and payable balances resulted 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.

There were no interfund transfers during the year.

**REESE PUBLIC SCHOOLS**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2021**

**NOTE 6 - RECEIVABLES**

Receivables at June 30, 2021 consist of accounts (fees), intergovernmental grants and interest.

A summary of the intergovernmental receivables (due from other governmental units) follows:

State aid and grants	\$ 1,197,608
Federal grants	315,909
ISD	131,015
	\$ 1,644,532

**NOTE 7 - UNEARNED REVENUE**

Governmental funds report unearned revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also reflect unearned revenue in connection with resources that have been received but not yet earned. At the end of the current fiscal year, grant and categorical aid payments received prior to meeting all eligibility requirements amounted to \$38,515.

**NOTE 8 - SHORT-TERM DEBT ACTIVITY**

The School District issues state aid anticipation notes in advance of State of Michigan state aid payments, depositing the proceeds in its General Fund. These notes are necessary because the School District's cash flow obligation to operating expenses precede the collection of state aid. At June 30, 2021, the School District has issued a state aid anticipation note payable in the amount of \$400,000, which has an interest rate of 1.30% and matures on August 20, 2020, and a state aid anticipation note payable in the amount of \$400,000, which has an interest rate of 1.3% and matures on August 20, 2020. The notes are secured by the full faith and credit of the School District as well as pledged state aid. In an event of a default on the note, the state may impose a penalty interest rate and at the state's discretion, accelerate the repayment terms. Activity for the year ended June 30, 2021 is as follows:

	Beginning Balance	Issued	Redeemed	Ending Balance
2019 A-1 Note	\$ 81,400	\$ 0	\$ 81,400	\$ 0
2019 A-2 Note	400,000	0	400,000	0
2020 A-1 Note	0	400,000	319,955	80,045
2020 A-2 Note	0	450,000	0	450,000
	\$ 481,400	\$ 850,000	\$ 801,355	\$ 530,045

REESE PUBLIC SCHOOLS  
Notes to Financial Statements  
For the Year Ended June 30, 2021

**NOTE 9 - LONG-TERM OBLIGATIONS**

The following is a summary of governmental long-term obligations for the School District for the year ended June 30, 2021:

	Balance June 30, 2020	Additions	Retirements and Payments	Balance June 30, 2021	Amount Due Within One Year
General obligation bonds	\$ 4,698,660	\$ 0	\$ 398,309	\$ 4,300,351	\$ 398,309
Compensated absences	152,000	11,000	0	163,000	0
	<u>\$ 4,850,660</u>	<u>\$ 11,000</u>	<u>\$ 398,309</u>	<u>\$ 4,463,351</u>	<u>\$ 398,309</u>

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

General obligation bonds:

\$5,860,000 2015 School Building & Site bonds due in annual installments of \$290,000 to \$510,000 through May 1, 2030; interest at 4.00%	\$ 3,925,000
Bond premium	375,351
Total bonded debt	<u>\$ 4,300,351</u>

Compensated absences include unused sick pay and vacation pay. Unused sick pay is calculated using the termination payoff rate of \$45 for eligible employees times the number of unused days (maximum 160 days). Employees who submit notice of their retirement before April 1 of each year are eligible for a termination payoff rate of \$70 per unused day (maximum of 160 days). Vacation payouts are computed using an average daily rate using 220 days. At June 30, 2021, the amount of \$163,000 has been recorded in the district-wide financial statements.

The annual debt service requirements on long-term debt as of June 30, 2021, including interest payments are as follows:

<u>Year Ended June 30</u>	<u>General Obligation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 370,000	\$ 157,000	\$ 527,000
2022	385,000	142,200	527,200
2023	400,000	126,800	526,800
2024	415,000	110,800	525,800
2025	435,000	94,200	529,200
2026 - 2030	1,920,000	196,000	2,116,000
	<u>\$ 3,925,000</u>	<u>\$ 827,000</u>	<u>\$ 4,752,000</u>

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**NOTE 10 - RISK MANAGEMENT**

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The School District has purchased commercial insurance for medical claims and participates in the SET-SEG risk pool for claims relating to workers' compensation, general liability, and property/casualty claims. Settled claims relating to the commercial insurance did not exceed the amount of insurance coverage in any of the past three fiscal years.

The SET-SEG shared-risk pool program in which the School District participates operates as a common risk-sharing management program for school districts in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

**NOTE 11 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS**

**Plan Description**

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

The System's pension plan was established by the State to provide retirement, survivor and disability benefits to public school employees. In addition, the System's health plan provides all retirees with option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School 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 Treasurer serves as the investment officer and custodian of 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 pension plans offered by MPSERS is as follows:

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

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Notes to Financial Statements  
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**NOTE 11 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS**  
**(CONTINUED)**

**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 members, contribute at various graduated permanently fixed contribution rates from 3.0% - 7.0%.

**Pension Reform 2010**

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

**Pension Reform 2012**

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

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

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**NOTE 11 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS**  
**(CONTINUED)**

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.

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

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**NOTE 11 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS**  
**(CONTINUED)**

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 contribution share between the employee and the employer, including the cost of future unfunded liabilities. The assumed rate of return on the Pension Plus 2 plan is 6%. Further, under certain adverse actuarial conditions, the Pension Plus 2 plan will close to new employees if the actuarial funded ratio falls below 85% for two consecutive years. The law included other provisions to the retirement eligibility age, plan assumptions, and unfunded liability payment methods.

**Benefits Provided – Other postemployment benefit (OPEB)**

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

**Retiree Healthcare Reform of 2012**

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

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Notes to Financial Statements  
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**NOTE 11 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS**  
**(CONTINUED)**

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 60<sup>th</sup> birthday and has credited service in each of the last 5 years. For Pension Plus Plan (PPP) members, age 60 with 10 years of credited service.

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

**Member Contributions**

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

**Employer Contributions**

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of members and retiree Other Post-Employment Benefits (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 portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis.

Pension and OPEB contributions made in the fiscal year ending September 30, 2020 were determined as of the September 30, 2017 actuarial valuations. The pension and OPEB benefits, the unfunded (overfunded) actuarial accrued liabilities as of September 30, 2017, are amortized over a 19-year period beginning October 1, 2019 and ending September 30, 2038.

**REESE PUBLIC SCHOOLS**  
**Notes to Financial Statements**  
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**NOTE 11 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS**  
**(CONTINUED)**

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

	Pension	Other Postemployment Benefit
October 1, 2019 - September 30, 2020	13.39% - 19.59%	7.57% - 8.09%
October 1, 2020 - September 30, 2021	13.39% - 19.41%	7.57% - 8.09%

The School District's pension contributions for the year ended June 30, 2021 were equal to the required contribution total. Total pension contributions were approximately \$1,320,000. Of the total pension contributions approximately \$1,222,000 was contributed to fund the Defined Benefit Plan and approximately \$98,000 was contributed to fund the Defined Contribution Plan.

The School District's OPEB contributions for the year ended June 30, 2021 were equal to the required contribution total. Total OPEB contributions were approximately \$291,000. Of the total OPEB contributions approximately \$289,000 was contributed to fund the Defined Benefit Plan and approximately \$2,000 was contributed to fund the Defined Contribution Plan.

These amounts, for both pension and OPEB benefits, 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).

REESE PUBLIC SCHOOLS  
Notes to Financial Statements  
For the Year Ended June 30, 2021

**NOTE 11 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS**  
**(CONTINUED)**

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

**Pension Liabilities**

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

MPSERS (Plan) Non-University Employers:	September 30, 2020	September 30, 2019
Total Pension Liability	\$ 85,290,583,799	\$ 83,442,507,212
Plan Fiduciary Net Position	\$ 50,939,496,006	\$ 50,325,869,388
Net Pension Liability	\$ 34,351,087,793	\$ 33,116,637,824
Proportionate share	0.04190 %	0.04229 %
Net Pension liability for the School District	\$ 14,394,071	\$ 14,006,467

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

For the year ended June 30, 2021, the School District recognized pension expense of approximately \$1,547,000.

REESE PUBLIC SCHOOLS  
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For the Year Ended June 30, 2021

**NOTE 11 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS**  
**(CONTINUED)**

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred (Inflows) of Resources</u>
Differences between expected and actual experience	\$ 219,930	\$ (30,722)
Net difference between projected and actual earnings on pension plan investments	60,477	0
Changes in assumptions	1,595,002	0
Changes in proportion and differences between employer contributions and proportionate share of contributions	12,771	(260,790)
Unearned revenue related to pension portion of section 147 c	0	(545,819)
School District's contributions subsequent to the measurement date	<u>1,085,607</u>	<u>0</u>
<b>Total</b>	<u>\$ 2,973,787</u>	<u>\$ (837,331)</u>

\$1,085,607, reported as deferred outflows of resources related to pensions resulting from School District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

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

<b>Year Ended June 30</b>	<u>Amount</u>
2022	\$ 757,299
2023	498,175
2024	256,149
2025	85,045
	<u>\$ 1,596,668</u>

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**NOTE 11 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS**  
**(CONTINUED)**

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

**OPEB Liabilities**

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

MPSERS (Plan) Non-University Employers:	September 30, 2020	September 30, 2019
Total OPEB Liability	\$ 13,206,903,534	\$ 13,925,860,688
Plan Fiduciary Net Position	\$ 7,849,636,555	\$ 6,748,112,668
Net OPEB Liability	\$ 5,357,266,979	\$ 7,177,748,020
Proportionate share	0.04218 %	0.04157 %
Net OPEB liability for the School District	\$ 2,259,884	\$ 2,984,022

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

For the year ended June 30, 2021, the School District recognized OPEB expense of approximately \$169,000.

REESE PUBLIC SCHOOLS  
Notes to Financial Statements  
For the Year Ended June 30, 2021

**NOTE 11 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS**  
**(CONTINUED)**

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred (Inflows) of Resources</u>
Difference between expected and actual experience	\$ 0	\$ (1,683,825)
Net difference between projected and actual plan investments	18,861	0
Changes in assumption	745,129	0
Changes in proportion and differences between employer contributions and proportionate share of contributions	46,719	(104,317)
School District's contributions subsequent to the measurement date	<u>231,959</u>	<u>0</u>
<b>Total</b>	<u>\$ 1,042,668</u>	<u>\$ (1,788,142)</u>

\$231,959, reported as deferred outflows of resources related to OPEB resulting from School District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year.

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

<b>Year Ended June 30</b>	<b>Amount</b>
2022	\$ (270,294)
2023	(244,039)
2024	(200,771)
2025	(153,444)
2026	(108,885)
	<u>\$ (977,433)</u>

**Actuarial Assumptions**

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

REESE PUBLIC SCHOOLS  
Notes to Financial Statements  
For the Year Ended June 30, 2021

**NOTE 11 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS**  
**(CONTINUED)**

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

**Salary increases** - The rate of pay increase used for individual members is 2.75%.

**Inflation** - 3.0%

**Mortality assumptions** -

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

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

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

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

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

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

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

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

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

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

REESE PUBLIC SCHOOLS  
Notes to Financial Statements  
For the Year Ended June 30, 2021

**NOTE 11 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS**  
**(CONTINUED)**

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

The target asset allocation at September 30, 2018 and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<b>Investment Category</b>	<b>Target Allocation*</b>	<b>Long-Term Expected Real Rate of Return*</b>
Domestic Equity Pools	25.0%	5.6%
Private Equity Pools	16.0%	9.3%
International Equity Pools	15.0%	7.4%
Fixed Income Pools	10.5%	0.5%
Real Estate and Infrastructure Pools	10.0%	4.9%
Absolute Return Pools	9.0%	3.2%
Real Return/Opportunistic Pools	12.5%	6.6%
Short Term Investment Pools	2.0%	(0.1)%
<b>Total</b>	<b>100.0%</b>	

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

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

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

REESE PUBLIC SCHOOLS  
Notes to Financial Statements  
For the Year Ended June 30, 2021

**NOTE 11 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS**  
**(CONTINUED)**

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

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

	<b>Pension</b>		
	<b>1% Decrease</b>	<b>Discount Rate</b>	<b>1% Increase</b>
School District's proportionate share of the net pension liability	<u>\$18,630,683</u>	<u>\$14,394,071</u>	<u>\$10,882,864</u>

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

	<b>Other postemployment benefit</b>		
	<b>1% Decrease</b>	<b>Discount Rate</b>	<b>1% Increase</b>
School District's proportionate share of the net OPEB liability	<u>\$2,903,078</u>	<u>\$2,259,884</u>	<u>\$1,718,369</u>

REESE PUBLIC SCHOOLS  
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For the Year Ended June 30, 2021

**NOTE 11 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS**  
**(CONTINUED)**

**Sensitivity to the net OPEB liability to changes in the healthcare cost trend rates** - The following presents the School District's proportionate share of the net other postemployment benefit liability calculated using the healthcare cost trend rate of 7.0% (decreasing to 3.0%), as well as what the School District's proportionate share of the net other postemployment benefit liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	<b>Other postemployment benefit</b>		
	<b>1% Decrease</b>	<b>Healthcare cost trend rates</b>	<b>1% Increase</b>
School District's proportionate share of the net OPEB liability	<u>\$1,697,635</u>	<u>\$2,259,884</u>	<u>\$2,899,373</u>

**Pension and OPEB Plan Fiduciary Net Position** - Detailed information about the pension and OPEB plan's fiduciary net position is available in the separately issued Michigan Public School Employees Retirement System 2020 Comprehensive Annual Financial Report.

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

**NOTE 12 - GRANTS**

The School District receives significant financial assistance from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit by the School District's independent auditors and other governmental auditors. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable fund. Based on prior experience, the School District administration believes such disallowance, if any, would be immaterial.

**NOTE 13 - ECONOMIC DEPENDENCY**

The School District received approximately 74% of their General Fund revenue from the Michigan Department of Education. Due to the significance of this revenue source to the School District, the School District is considered to be economically dependent.

**REESE PUBLIC SCHOOLS**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2021**

**NOTE 14 - SINKING FUND COMPLIANCE**

The School District passed a sinking fund levy at 1.5 mills. The activity related to the sinking fund is recorded in the Capital Projects Fund. The assets, liabilities, revenues and expenditures are included in the School District's basic financial statements for the year ended June 30, 2021.

For this fund, the School District has complied with the applicable provisions of Section 1212(1) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 01-95.

**NOTE 15 - TAX ABATEMENTS**

The School District receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions, granted by cities, villages and townships. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities.

The estimated property taxes abated for all funds by Denmark Township and Merritt Township under this program were approximately \$11,000.

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

**NOTE 16 - UPCOMING ACCOUNTING PRONOUNCEMENT**

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

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

REESE PUBLIC SCHOOLS  
Notes to Financial Statements  
For the Year Ended June 30, 2021

**NOTE 17 - UNCERTAINTY**

On March 11, 2020, the World Health Organization declared the coronavirus (COVID-19) a pandemic. As a result of the spread of COVID-19, economic uncertainties have arisen having a broad and negative impact on commerce and financial markets around the world. While the disruption is currently expected to be temporary, there is considerable uncertainty regarding the duration. The extent on the impact of COVID-19 on the School District's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on the School District's employees, funding sources and vendors, all of which, at present, cannot be determined. Accordingly, the extent to which COVID-19 may impact the School District is uncertain and the accompanying financial statements include no adjustments related to the effects of this pandemic. For the year ended June 30, 2021, the School District was the recipient of significant grant and other funding intended to address increased expenditures attributed to COVID-19.

**REESE PUBLIC SCHOOLS**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule - General Fund**  
**For the Year Ended June 30, 2021**

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Favorable (Unfavorable)
Local sources	\$ 1,105,600	\$ 1,096,925	\$ 1,093,827	\$ (3,098)
State sources	6,337,995	6,755,749	6,753,624	(2,125)
Federal sources	523,871	1,116,416	1,041,867	(74,549)
Transportation fees	2,500	2,000	1,170	(830)
Interdistrict and other sources	114,000	180,000	174,447	(5,553)
Total revenues	<u>8,083,966</u>	<u>9,151,090</u>	<u>9,064,935</u>	<u>(86,155)</u>
<b><u>Expenditures</u></b>				
Instruction:				
Basic programs	4,325,538	4,993,676	4,957,783	35,893
Added needs	977,784	672,412	669,897	2,515
Support services:				
Pupil	479,363	416,104	407,670	8,434
Instructional staff	161,084	383,162	372,518	10,644
General administrative	260,168	266,548	258,773	7,775
School administrative	526,326	370,395	362,343	8,052
Business services	260,108	299,400	285,568	13,832
Operations and maintenance	717,210	859,775	834,811	24,964
Transportation	304,080	368,960	369,555	(595)
Information services	173,822	185,775	176,083	9,692
Community services	37,339	33,487	31,734	1,753
Athletics	234,566	232,746	231,584	1,162
Food Services	0	989	683	306
Total expenditures	<u>8,457,388</u>	<u>9,083,429</u>	<u>8,959,002</u>	<u>124,427</u>
Net change in fund balance	(373,422)	67,661	105,933	38,272
Fund balance - beginning of year	<u>1,454,860</u>	<u>1,454,860</u>	<u>1,454,860</u>	<u>0</u>
Fund balance - end of year	<u>\$ 1,081,438</u>	<u>\$ 1,522,521</u>	<u>\$ 1,560,793</u>	<u>\$ 38,272</u>

**REESE PUBLIC SCHOOLS**  
**Required Supplemental Information**  
**Schedule of the Reporting Unit's Proportionate Share of the Net Pension Liability**  
**Michigan Public School Employees Retirement Plan**  
**Last 10 Fiscal Years (Amounts were determined as of 9/30 of each fiscal year)**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Reporting unit's proportion of net pension liability (%)	0.04190 %	0.04229 %	0.04340 %	0.04356 %	0.04309 %	0.04282 %	0.04233 %
Reporting unit's proportionate share of net pension liability	\$ 14,394,071	\$ 14,006,467	\$ 13,045,849	\$ 11,287,569	\$ 10,751,052	\$ 10,457,744	\$ 9,323,429
Reporting unit's covered-employee payroll*	\$ 3,718,723	\$ 3,617,273	\$ 3,671,909	\$ 3,646,940	\$ 3,628,463	\$ 3,535,782	\$ 3,560,714
Reporting unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	25.83510 %	25.82573 %	28.14619 %	32.30935 %	33.74984 %	33.81018 %	38.19103 %
Plan fiduciary net position as a percentage of total pension liability (Non-university employers)	59.72000 %	60.31000 %	62.36000 %	64.21000 %	63.27000 %	62.92000 %	66.15000 %

\* The employer's covered payroll is defined by GASB 82, *Pension Issues - an amendment to GASB Statements No. 67, No. 68, and No. 73*, as payroll on which contributions to a pension plan are based. For non-university employers, covered payroll for both pension and OPEB represents payroll on which contributions to both plans are based.

With the implementation of GASB Statement No. 68 in 2015, the 10 year history will be provided prospectively until a full 10 year history is shown.

**REESE PUBLIC SCHOOLS**  
**Required Supplemental Information**  
**Schedule of the Reporting Unit's Pension Contributions**  
**Michigan Public School Employees Retirement Plan**  
Last 10 Reporting Unit Fiscal Years (Amounts were determined as of 6/30 of each fiscal year)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contributions	\$ 1,222,163	\$ 1,125,154	\$ 1,101,156	\$ 1,084,691	\$ 1,059,788	\$ 1,009,708	\$ 778,962
Contributions in relation to statutorily required contributions*	<u>1,222,163</u>	<u>1,125,154</u>	<u>1,101,156</u>	<u>1,084,691</u>	<u>1,059,788</u>	<u>1,009,708</u>	<u>778,962</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Reporting unit's covered-employee payroll**	\$ 3,750,026	\$ 3,731,289	\$ 3,601,912	\$ 3,671,010	\$ 3,782,689	\$ 3,582,753	\$ 3,554,972
Contributions as a percentage of covered-employee payroll	32.59 %	30.15 %	30.57 %	29.55 %	28.02 %	28.18 %	21.91 %

\* Contributions in relation to statutorily required contributions are the contributions a reporting unit actually made to the System, as distinct from the statutorily required contributions.

\*\* The employer's covered payroll is defined by GASB 82, *Pension Issues - an amendment to GASB Statements No. 67, No. 68, and No. 73*, as payroll on which contributions to a pension plan are based. For non-university employers, covered payroll for both pensions and OPEB represents payroll on which contributions to both plans are based.

With the implementation of GASB Statement No. 68 in 2015, the 10 year history will be provided prospectively until a full 10 year history is shown.

**REESE PUBLIC SCHOOLS**  
**Required Supplemental Information**  
**Schedule of the Reporting Unit's Proportionate Share of the Net OPEB Liability**  
**Michigan Public School Employees Retirement Plan**  
**Last 10 Fiscal Years (Amounts were determined as of 9/30 of each fiscal year)**

	<u><b>2020</b></u>	<u><b>2019</b></u>	<u><b>2018</b></u>	<u><b>2017</b></u>
Reporting unit's proportion of net OPEB liability (%)	0.04218 %	0.04157 %	0.04305 %	0.04343 %
Reporting unit's proportionate share of net OPEB liability	\$ 2,259,884	\$ 2,984,022	\$ 3,422,415	\$ 3,845,669
Reporting unit's covered-employee payroll*	\$ 3,718,723	\$ 3,617,273	\$ 3,671,909	\$ 3,646,940
Reporting unit's proportionate share of net OPEB liability as a percentage of its covered-employee payroll	164.55371 %	121.22139 %	107.29000 %	94.83239 %
Plan fiduciary net position as a percentage of total OPEB liability (Non-university employers)	59.44000 %	48.46000 %	42.95000 %	36.39000 %

\* The employer's covered payroll is defined by GASB 85, *Omnibus 2017*, as payroll on which contributions to the OPEB plan are based. For non-university employers, covered payroll for both pension and OPEB represents payroll on which contributions to both plans are based.

With the implementation of GASB Statement No. 75 in 2018, the 10 year history will be provided prospectively until a full 10 year history is shown.

**REESE PUBLIC SCHOOLS**  
**Required Supplemental Information**  
**Schedule of the Reporting Unit's OPEB Contributions**  
**Michigan Public School Employees Retirement Plan**  
Last 10 Reporting Unit Fiscal Years (Amounts were determined as of 6/30 of each fiscal year)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contributions	\$ 289,304	\$ 281,170	\$ 272,064	\$ 297,009
Contributions in relation to statutorily required contributions*	<u>289,304</u>	<u>281,170</u>	<u>272,064</u>	<u>297,009</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Reporting unit's covered-employee payroll**	\$ 3,750,026	\$ 3,731,289	\$ 3,601,912	\$ 3,671,010
Contributions as a percentage of covered-employee payroll	7.71 %	7.54 %	7.55 %	8.09 %

\* Contributions in relation to statutorily required contributions are the contributions a reporting unit actually made to the System, as distinct from the statutorily required contributions.

\*\* The employer's covered payroll is defined by GASB 85, *Omnibus 2017*, as payroll on which contributions to the OPEB plan are based. For non-university employers, covered payroll for both pension and OPEB represents payroll on which contributions to both plans are based.

With the implementation of GASB Statement No. 75 in 2018, the 10 year history will be provided prospectively until a full 10 year history is shown.

REESE PUBLIC SCHOOLS  
Notes to Required Supplementary Information  
For the Year Ended June 30, 2021

**Changes of benefit terms:** There were no changes of benefit terms in 2021.

**Changes of assumptions:** There were no changes of assumptions for the pension in 2021.

The assumption changes for 2021 for OPEB were:

Healthcare cost trend rate decreased to 7.0% Year 1 graded to 3.5% Year 15 from  
7.5% Year 1 graded to 3.5% Year 12.

REESE PUBLIC SCHOOLS  
 Other Supplemental Information  
 Combining Balance Sheet  
 Nonmajor Governmental Funds  
June 30, 2021

	Special Revenue Funds		
	Food Service	Student/ School Activities	Total
<u>Assets</u>			
Cash and investments	\$ 220,738	\$ 313,384	\$ 534,122
Receivables - net:			
Due from other funds	385	0	385
Due from other governmental units	22,819	0	22,819
Prepaid expenditures	45,000	0	45,000
Total assets	\$ 288,942	\$ 313,384	\$ 602,326
<u>Liabilities and Fund Balance</u>			
<u>Liabilities</u>			
Accounts payable	\$ 57,989	\$ 0	\$ 57,989
Unearned revenue	8,386	0	8,386
Total liabilities	66,375	0	66,375
<u>Fund Balance</u>			
Non-spendable - prepaids	45,000	0	45,000
Restricted for food service	177,567	0	177,567
Committed for student/school activities	0	313,384	313,384
Total fund balance	222,567	313,384	535,951
	\$ 288,942	\$ 313,384	\$ 602,326

**REESE PUBLIC SCHOOLS**  
**Other Supplemental Information**  
**Combining Statement of Revenues, Expenditures**  
**and Changes in Fund Balance - Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2021**

	<u>Special Revenue Funds</u>		
	<u>Food Service</u>	<u>Student/ School Activities</u>	<u>Total</u>
Local sources	\$ 20,849	\$ 128,831	\$ 149,680
State sources	18,758	0	18,758
Federal sources	733,067	0	733,067
Total revenues	<u>772,674</u>	<u>128,831</u>	<u>901,505</u>
 <u>Expenditures</u>			
Current:			
Food services	788,960	0	788,960
Student/school activities	0	136,933	136,933
Total expenditures	<u>788,960</u>	<u>136,933</u>	<u>925,893</u>
Net change in fund balance	(16,286)	(8,102)	(24,388)
Fund balance - beginning of year	<u>238,853</u>	<u>321,486</u>	<u>560,339</u>
Fund balance - end of year	<u>\$ 222,567</u>	<u>\$ 313,384</u>	<u>\$ 535,951</u>

**REESE PUBLIC SCHOOLS**  
**Other Supplemental Information**  
**Schedule of Bonded Indebtedness - 2015 Bond Refunding**  
**For the Year Ended June 30, 2021**

<u>PURPOSE</u>	The 2005 bonds were refunded, the original bonds were issued for the purpose of erecting, furnishing and equipping additions to, and partially remodeling, refurbishing and re-equipping the Reese Elementary, Middle and High School buildings, acquiring and installing educational technology, and developing and improving the sites.		
<u>DATE OF ISSUE</u>	March 19, 2015		
<u>INTEREST PAYABLE</u>	May 1 and November 1 of each year		
<u>AMOUNT OF ISSUE</u>			\$ 5,860,000
<u>AMOUNT REDEEMED</u>			
	During prior years	\$ 1,580,000	
	During current year	<u>355,000</u>	<u>1,935,000</u>
<u>BALANCE OUTSTANDING - June 30, 2021</u>			<u>\$ 3,925,000</u>

<u>Fiscal Year</u>	<u>Interest Rate</u>	<u>Requirements</u>		
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	4.00%	\$ 370,000	\$ 157,000	\$ 527,000
2023	4.00%	385,000	142,200	527,200
2024	4.00%	400,000	126,800	526,800
2025	4.00%	415,000	110,800	525,800
2026	4.00%	435,000	94,200	529,200
2027	4.00%	450,000	76,800	526,800
2028	4.00%	470,000	58,800	528,800
2029	4.00%	490,000	40,000	530,000
2030	4.00%	<u>510,000</u>	<u>20,400</u>	<u>530,400</u>
		<u>\$ 3,925,000</u>	<u>\$ 827,000</u>	<u>\$ 4,752,000</u>



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

September 3, 2021

Board of Education  
Reese Public Schools  
Reese, Michigan

We have audited, in accordance with U.S. generally accepted auditing standards 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 Reese Public Schools (School District), as of and for the year ended June 30, 2021 and the related notes to the financial statements, which collectively comprise Reese Public Schools' basic financial statements and have issued our report thereon dated September 3, 2021.

### **Internal Control Over Financial Reporting**

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the School District'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 may exist that have not been identified.



Board of Education  
Reese Public Schools  
September 3, 2021

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Reese Public Schools' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the 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 School District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Weinlander Fitzhugh*



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

September 3, 2021

Board of Education  
Reese Public Schools  
Reese, Michigan

### **Report on Compliance for Each Major Federal Program**

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

#### ***Management's Responsibility***

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

#### ***Auditor's Responsibility***

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Reese Public Schools' compliance.

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

In our opinion, Reese Public Schools, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.



Board of Education  
Reese Public Schools  
September 3, 2021

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

Management of Reese Public Schools, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Reese Public Schools' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Reese Public Schools' internal control over compliance.

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

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

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

*Weinlander Fitzhugh*

REESE PUBLIC SCHOOLS  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2021

**SECTION I - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued: Unmodified opinion

Internal control over financial reporting:

- Material weakness(es) identified?  YES  NO
- Significant deficiency(ies) identified?  YES  NONE REPORTED

Noncompliance material to financial statements noted?  YES  NO

**Federal Awards**

Internal Control over major programs:

- Material weakness(es) identified?  YES  NO
- Significant deficiency(ies) identified?  YES  NONE REPORTED

Type of auditor's report issued on compliance of major programs: Unmodified opinion

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?  YES  NO

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553-10.559	Child Nutrition Cluster

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

Auditee qualified as low-risk auditee?  YES  NO

**SECTION II - Financial Statement Findings**

There are no matters reported.

**SECTION III - Federal Award Findings and Questioned Costs**

There are no matters reported.

REESE PUBLIC SCHOOLS  
Summary Schedule of Prior Year Findings  
For the Year Ended June 30, 2021

There were no matters reported in the prior year's audit.

**REESE PUBLIC SCHOOLS**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2021**

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Award Amount	(Memo Only) Prior Year Expenditures	Accrued (Unearned) Revenue June 30, 2020	Adjustments and Transfers	Current Year Receipts (Cash Basis)	Current Year Expenditures	Accrued (Unearned) Revenue June 30, 2021
<u>U.S. Department of Education</u>								
Passed through Michigan Department of Education:								
ECIA Title I								
Educationally Deprived								
2015301920	84.010	\$ 129,125	\$ 123,815	\$ 123,815	\$ 0	\$ 123,815	\$ 0	\$ 0
2115302021		128,131	0	0	0	0	121,899	121,899
			123,815	123,815	0	123,815	121,899	121,899
ECIA Title I								
Migrant Education								
2018301920	84.011	46,582	553	553	0	43,760	43,207	0
2118302021		46,582	0	0	0	0	5,195	5,195
			553	553	0	43,760	48,402	5,195
Title IIA								
Teacher and Leader Instruction Support								
210502021	84.367A	24,176	0	0	0	24,176	24,176	0
Title IV								
Student Support and Academic Enrichment								
2107502021	84.424	10,062	0	0	0	10,062	10,062	0
Education Stabilization Fund								
COVID-19 - Elementary and Secondary School Emergency Relief Fund (ESSER I)								
ESSER Formula	84.425D	102,688	0	0	0	102,688	102,688	0
COVID-19 - Elementary and Secondary School Emergency Relief Fund (ESSER II)								
ESSER II	84.425D	168,823	0	0	0	0	168,823	168,823
			0	0	0	102,688	271,511	168,823
Passed through Tuscola ISD								
IDEA Special Education								
1004552021	84.027A	\$ 258,708	0	0	0	258,708	258,708	0
<b>Total U.S. Department of Education</b>			<b>124,368</b>	<b>124,368</b>	<b>0</b>	<b>563,209</b>	<b>734,758</b>	<b>295,917</b>

See accompanying notes to Schedule of Expenditures of Federal Awards

**REESE PUBLIC SCHOOLS**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2021**

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Award Amount	(Memo Only) Prior Year Expenditures	Accrued (Unearned) Revenue June 30, 2020	Adjustments and Transfers	Current Year Receipts (Cash Basis)	Current Year Expenditures	Accrued (Unearned) Revenue June 30, 2021
<u>U.S. Department of Agriculture</u>								
Passed through Michigan Department of Education								
Child Nutrition Cluster								
Non-Cash Assistance (Commodities)								
Entitlement	10.555	26,368	\$ 0	\$ 0	\$ 0	\$ 26,368	\$ 26,368	\$ 0
Cash Assistance								
COVID-19 - National School Lunch Program	10.555							
2009021920		71,509	71,509	71,509	0	71,509	0	0
			71,509	71,509	0	97,877	26,368	0
Child and Adult Care Food Program	10.558							
211920		1,132	0	0	0	1,132	1,132	0
Summer Food Service Program for Children								
200900	10.559	162,309	0	0	0	162,309	162,309	0
210904		543,258	0	0	0	523,266	543,258	19,992
			0	0	0	685,575	705,567	19,992
Total Child Nutrition Cluster			71,509	71,509	0	784,584	733,067	19,992
<u>U.S. Department of Treasury</u>								
Passed through Michigan Department of Education								
COVID-19 - Coronavirus Relief Funds (CRF)								
11(p)	21.019	\$ 277,302	0	0	0	277,302	277,302	0
103(2)		9,761	0	0	0	9,761	9,761	0
			0	0	0	287,063	287,063	0
Passed through Michigan Association of Intermediate School District Administrators (MAISA)/Copper County ISD								
Device Purchasing Program/Distance Learning Grant	21.019	20,046	0	0	0	20,046	20,046	0
Total U.S. Department of Treasury			0	0	0	307,109	307,109	0
			\$ 195,877	\$ 195,877	\$ 0	\$ 1,654,902	\$ 1,774,934	\$ 315,909

See accompanying notes to Schedule of Expenditures of Federal Awards

REESE PUBLIC SCHOOLS  
Notes to the Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2021

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal grant activity of Reese Public Schools under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Reese Public Schools, it is not intended to and does not present the financial position or changes in net position of Reese Public Schools.

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts (if any) shown on the Schedule represent adjustments or credit made in the normal course of business to amounts reported as expenditures.

The School District has elected not to use the 10 percent de minimus indirect cost rate to recover costs as allowed under the Uniform Guidance.

The School District does not have any subrecipients.

**NOTE 2 - OTHER DISCLOSURES**

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

**NOTE 3 - (UNAUDITED) DONATED PERSONAL PROTECTIVE EQUIPMENT**

For the year ended June 30, 2021, the School District received immaterial amounts of donated personal protective equipment.