

REESE PUBLIC SCHOOLS
REESE, MICHIGAN

FINANCIAL STATEMENTS
JUNE 30, 2022



WEINLANDER FITZHUGH
Certified Public Accountants & Advisors

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INDEPENDENT AUDITOR'S REPORT

September 6, 2022

Board of Education
Reese Public Schools
Reese, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Reese Public Schools (School District), as of and for the year ended June 30, 2022 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.

In our opinion, the accompanying 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, 2022 and the respective changes in financial position for the year then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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



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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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



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Required Supplementary Information

U.S. generally accepted accounting principles requires that the management's discussion and analysis, budgetary comparison information and pension and OPEB schedules, as noted in the table of contents to be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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.

Supplementary 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 non-major fund financial statements, schedule of bonded indebtedness and schedule of expenditures of federal awards 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* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly for the underlying accounting and other records used to prepare the basis financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the combining non-major fund financial statements and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 6, 2022, 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, 2022

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, 2022.

Financial Highlights

The School District's net position increased by \$1,838,912 or 24%. Program revenues were \$3,575,127 or 31% of total revenues, and general revenues were \$7,879,528 or 69%.

The General Fund reported a positive fund balance of \$1,878,664. The 2015 Debt Retirement Fund reported a positive fund balance of \$1,276,913. The Capital Projects Fund - Sinking Fund reported a positive fund balance of \$834,443.

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, 2015 Debt Retirement Fund, and Capital Projects Fund - Sinking 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 and OPEB Schedules (Required Supplemental Information)

Other Supplemental Information

REESE PUBLIC SCHOOLS
Management's Discussion and Analysis
For the Year Ended June 30, 2022

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, 2022

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, 2022 and 2021:

Exhibit A	Governmental Activities	
	2022	2021
Assets		
Current and other assets	\$ 6,114,757	\$ 6,294,423
Capital assets - net of accumulated depreciation	7,877,185	7,146,696
Total assets	13,991,942	13,441,119
Deferred Outflows of Resources		
Related to refunding	70,465	79,657
Related to pensions and OPEB	3,038,162	4,016,455
Total deferred outflows of resources	3,108,627	4,096,112
Liabilities		
Current liabilities	1,949,778	1,877,917
Long-term liabilities	14,331,776	20,718,997
Total liabilities	16,281,554	22,596,914
Deferred Inflows of Resources		
Related to pensions and OPEB	6,665,259	2,625,473
Net Position		
Net investment in capital assets	3,990,143	2,846,345
Restricted	2,400,516	2,940,637
Unrestricted	(12,236,903)	(13,472,138)
Total net position	\$ (5,846,244)	\$ (7,685,156)

The analysis above focuses on net position (see Exhibit A). The School District's net position was \$(5,846,244) at June 30, 2022. Investment in property and equipment, net of related debt totaling \$3,990,143, 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 \$(12,236,903) 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, 2022

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 \$10,069,297 for 2022 and \$14,394,071 for 2021.

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 \$656,746 for 2022 and \$2,259,884 for 2021.

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, 2022 and 2021.

Exhibit B	<u>Governmental Activities</u>	
	<u>2022</u>	<u>2021</u>
Revenues		
Program revenue:		
Charges for services	\$ 534,583	\$ 351,729
Grants and categoricals	3,040,544	3,034,114
General revenue:		
Property taxes	2,093,481	2,027,648
State aid	5,802,849	5,446,607
Other	(16,802)	36,849
Total revenues	<u>11,454,655</u>	<u>10,896,947</u>
Function/Program Expenses		
Instruction	4,898,141	5,934,944
Support services	2,938,126	3,055,061
Community services	31,767	31,734
Food services	670,908	724,459
Athletics	240,536	225,485
Student/school activities	277,463	136,933
Capital outlay	16,632	37,820
Interest on long-term debt	112,593	126,686
Depreciation	429,577	383,497
Total expenses	<u>9,615,743</u>	<u>10,656,619</u>
Change in Net Position	<u>\$ 1,838,912</u>	<u>\$ 240,328</u>

As reported in the statement of activities, the cost of all of our governmental activities this year was \$9,615,743. Certain activities were partially funded from those who benefited from the programs, \$534,583, or by the other governments and organizations that subsidized certain programs with grants and categoricals of \$3,040,544. We paid for the remaining "public benefit" portion of our governmental activities with \$2,093,481 in taxes, \$5,802,849 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, 2022

The School District had an increase in net position of \$1,838,912. 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 \$4,616,993, which is below last year's total of \$4,841,820. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2022 and 2021.

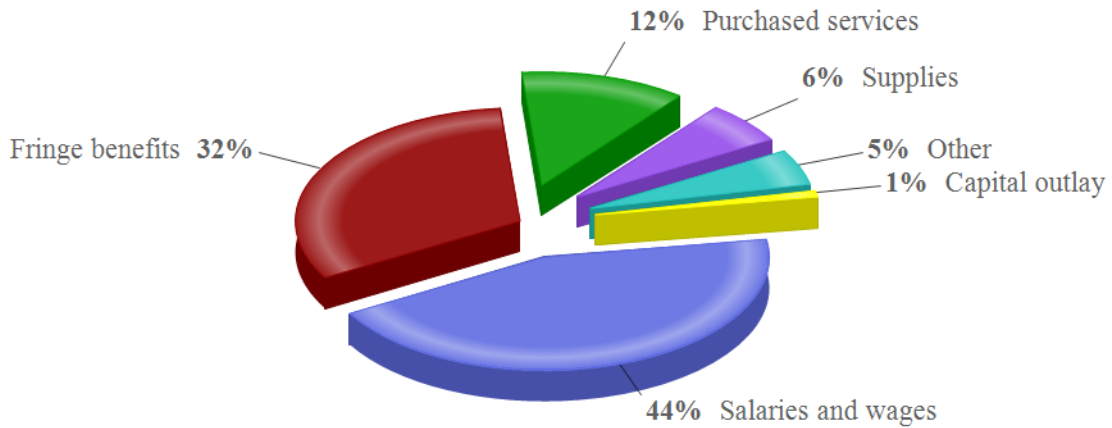
	Fund Balance <u>6/30/2022</u>	Fund Balance <u>6/30/2021</u>	Increase (Decrease) <u></u>
General	\$ 1,878,664	\$ 1,560,793	\$ 317,871
2015 Debt Retirement	1,276,913	1,149,034	127,879
Capital Projects Fund - Sinking Fund	834,443	1,596,042	(761,599)
Special Revenue	626,973	535,951	91,022
	<u>\$ 4,616,993</u>	<u>\$ 4,841,820</u>	<u>\$ (224,827)</u>

- Our General Fund increase is mainly attributable to federal revenue being recognized this fiscal year even though expenses occurred in the prior fiscal year. Also, a bus that was ordered did not arrive by year-end.
- Our Capital Projects Fund decreased due mainly to the parking lot project.
- 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 increased due to all students receiving free breakfast and lunch, which increased the number of meals served.

REESE PUBLIC SCHOOLS
Management's Discussion and Analysis
For the Year Ended June 30, 2022

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>2022</u>	<u>2021</u>
Salaries and wages	\$ 4,133,689	\$ 3,861,629
Fringe benefits	2,919,382	2,676,534
Purchased services	1,078,864	1,099,547
Supplies	543,604	760,622
Capital outlay	80,546	132,959
Other	449,700	427,711
Total	<u>\$ 9,205,785</u>	<u>\$ 8,959,002</u>

Expenditures have increased by \$246,783 mainly due to additional expenditures related to salaries and benefits.

REESE PUBLIC SCHOOLS
Management's Discussion and Analysis
For the Year Ended June 30, 2022

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 increases in staffing and related benefits.
- Actual revenues were less than budgeted amounts by \$6,613 due to federal programs not being expensed before June 30.
- Actual expenditures were lower than budgeted amounts by \$296,069 due to not receiving an ordered bus and other supplies by year-end.

Capital Assets

At June 30, 2022, the School District had \$7,877,185 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 10% from last year.

	2022	2021
Land	\$ 519,823	\$ 519,823
Buildings and improvements	11,862,306	12,294,668
Buses and other vehicles	884,202	866,232
Furniture and equipment	481,053	439,521
Total capital assets	13,747,384	14,120,244
Less accumulated depreciation	5,870,199	6,973,548
Net capital assets	\$ 7,877,185	\$ 7,146,696

This year's additions of \$1,227,966 were for parking lots and lighting, walk-in freezers and a mower.

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 \$3,555,000 in bonds outstanding versus \$3,925,000 in the previous year - a decrease of 9%.

	2022	2021
2015 Improvement Bonds	\$ 3,555,000	\$ 3,925,000

REESE PUBLIC SCHOOLS
Management's Discussion and Analysis
For the Year Ended June 30, 2022

Factors Expected to have an Effect on Future Operations

Our elected Board and administration considered many factors when setting the School District's 2023 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 2023 fiscal year budget was adopted in June 2022, based on an estimate of students that will be enrolled in September 2022. 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 2022-2023 school year, we anticipate that the fall student count will be close to the estimates used in creating the 2023 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 2022-2023.

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, 2022

	Governmental Activities
Cash and investments	\$ 4,050,670
Receivables - net:	
Due from other governmental units	1,993,282
Accounts receivable	10,115
Prepaid expense	45,000
Deposits	15,690
Capital assets less accumulated depreciation \$5,870,199	7,877,185
Total assets	13,991,942
 <u>Deferred Outflows of Resources</u>	
Related to pensions	2,172,252
Related to OPEB	865,910
Loss on bond refunding	70,465
Total deferred outflows of resources	3,108,627
 <u>Liabilities</u>	
Accounts payable	88,868
Unearned revenue	43,977
Accrued interest payable	23,705
Accrued payroll and other liabilities	944,848
State aid anticipation note payable	420,071
Long-term liabilities:	
Due within one year	428,309
Due in more than one year	3,605,733
Net pension liability	10,069,297
Net OPEB liability	656,746
Total liabilities	16,281,554
 <u>Deferred Inflows of Resources</u>	
Related to pensions	4,139,143
Related to OPEB	2,526,116
Total deferred inflows of resources	6,665,259
 <u>Net Position</u>	
Net investment in capital assets	3,990,143
Restricted for debt service	1,253,207
Restricted for capital projects	834,444
Restricted for food service	312,865
Unrestricted	(12,236,903)
Total net position	\$ (5,846,244)

See accompanying notes to financial statements.

REESE PUBLIC SCHOOLS
Statement of Activities
For the Year Ended June 30, 2022

	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	\$ 4,898,141	\$ 152,228	\$ 1,822,485	\$ (2,923,428)
Support services	2,938,126	0	449,303	(2,488,823)
Community services	31,767	18,275	0	(13,492)
Food services	670,908	31,153	768,756	129,001
Athletics	240,536	55,895	0	(184,641)
Student/school activities	277,463	277,032	0	(431)
Capital outlay	16,632	0	0	(16,632)
Interest on long-term debt	112,593	0	0	(112,593)
Depreciation	429,577	0	0	(429,577)
	<u>\$ 9,615,743</u>	<u>\$ 534,583</u>	<u>\$ 3,040,544</u>	<u>(6,040,616)</u>
Total governmental activities				
General revenues:				
Taxes:				
Property taxes, levied for general purposes				1,061,970
Property taxes, levied for capital projects				396,982
Property taxes, levied for debt services				634,529
State aid				5,802,849
Interest and investment earnings				3,097
Loss on disposal of capital assets				(67,900)
Other				48,001
				<u>7,879,528</u>
Total general revenues				
Change in net position				1,838,912
Net position - beginning of year				<u>(7,685,156)</u>
Net position - end of year				<u>\$ (5,846,244)</u>

See accompanying notes to financial statements.

REESE PUBLIC SCHOOLS
Governmental Funds
Balance Sheet
June 30, 2022

	<u>General</u>	<u>2015 Debt Retirement</u>	<u>Capital Projects Fund - Sinking Fund</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total</u>
<u>Assets</u>					
Cash and investments	\$ 1,317,193	\$ 1,276,913	\$ 834,443	\$ 622,121	\$4,050,670
Receivables - net:					
Due from other funds	0	0	0	360	360
Due from other governmental units	1,972,595	0	0	20,687	1,993,282
Accounts receivable	10,115	0	0	0	10,115
Prepaid expenditures	0	0	0	45,000	45,000
Deposits	15,690	0	0	0	15,690
	<u>\$ 3,315,593</u>	<u>\$ 1,276,913</u>	<u>\$ 834,443</u>	<u>\$ 688,168</u>	<u>\$6,115,117</u>
<u>Liabilities and Fund Balance</u>					
<u>Liabilities</u>					
Accounts payable	\$ 34,711	\$ 0	\$ 0	\$ 54,157	\$ 88,868
Due to other funds	360	0	0	0	360
Unearned revenue	36,939	0	0	7,038	43,977
Accrued payroll and other liabilities	944,848	0	0	0	944,848
State aid anticipation note payable	420,071	0	0	0	420,071
	<u>1,436,929</u>	<u>0</u>	<u>0</u>	<u>61,195</u>	<u>1,498,124</u>
<u>Fund Balance</u>					
Nonspendable - prepaid	0	0	0	45,000	45,000
Restricted for capital projects	0	1,276,913	834,443	0	2,111,356
Restricted for food service	0	0	0	267,865	267,865
Committed for student/school activities	0	0	0	314,108	314,108
Assigned for purchase of bus	101,598	0	0	0	101,598
Unassigned	1,777,066	0	0	0	1,777,066
	<u>1,878,664</u>	<u>1,276,913</u>	<u>834,443</u>	<u>626,973</u>	<u>4,616,993</u>
Total fund balance	<u>\$ 1,878,664</u>	<u>\$ 1,276,913</u>	<u>\$ 834,443</u>	<u>\$ 626,973</u>	<u>\$ 4,616,993</u>
Total liabilities and fund balance	<u>\$ 3,315,593</u>	<u>\$ 1,276,913</u>	<u>\$ 834,443</u>	<u>\$ 688,168</u>	<u>\$6,115,117</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, 2022

Total fund balance - governmental funds	\$ 4,616,993
<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	13,747,384
Accumulated depreciation	(5,870,199)
<p>Deferred outflows used in governmental activities are not financial resources and therefore are not reported in governmental funds:</p>	
Related to pensions	2,172,252
Related to OPEB	865,910
Loss on bond refunding	70,465
<p>Long-term liabilities are not due and payable in the current period and are not reported in the funds:</p>	
Bonds payable	(3,555,000)
Compensated absences	(147,000)
Unamortized debt premium	(332,042)
Net pension liability	(10,069,297)
Net OPEB liability	(656,746)
Accrued interest payable is included as a liability in governmental activities	(23,705)
<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	(4,139,143)
Related to OPEB	(2,526,116)
Total net position - governmental activities	\$ (5,846,244)

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, 2022

	<u>General</u>	<u>2015 Debt Retirement</u>	<u>Capital Project Fund - Sinking Fund</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total</u>
Local sources	\$1,187,338	\$ 634,972	\$ 397,272	\$ 311,857	\$ 2,531,439
State sources	7,242,063	22,109	0	27,698	7,291,870
Federal sources	937,338	0	0	740,804	1,678,142
Transportation fees	4,689	0	0	0	4,689
Interdistrict and other sources	152,228	0	0	0	152,228
Total revenues	<u>9,523,656</u>	<u>657,081</u>	<u>397,272</u>	<u>1,080,359</u>	<u>11,658,368</u>
<u>Expenditures</u>					
Current:					
Instruction	5,675,320	0	0	0	5,675,320
Support services	3,257,596	0	0	0	3,257,596
Community services	31,767	0	0	0	31,767
Athletics	240,536	0	0	0	240,536
Food services	566	0	0	711,874	712,440
Student/school activities	0	0	0	277,463	277,463
Capital outlay	0	0	1,158,871	0	1,158,871
Principal	0	370,000	0	0	370,000
Interest and other	0	159,202	0	0	159,202
Total expenditures	<u>9,205,785</u>	<u>529,202</u>	<u>1,158,871</u>	<u>989,337</u>	<u>11,883,195</u>
Net change in fund balance	317,871	127,879	(761,599)	91,022	(224,827)
Fund balance - beginning of year	1,560,793	1,149,034	1,596,042	535,951	3,245,778
Fund balance - end of year	<u>\$1,878,664</u>	<u>\$1,276,913</u>	<u>\$ 834,443</u>	<u>\$ 626,973</u>	<u>\$ 4,616,993</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, 2022

Net change in fund balance - total governmental funds	\$ (224,827)
<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	(429,577)
Capital outlay	1,227,966
Loss on disposal of capital assets	(67,900)
Repayment of bonds	370,000
<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)
Decreases in compensated absences are reported as an increase in expenditures when financial resources are used in the governmental fund in accordance with GASB Interpretation No. 6	16,000
Increases in accrued interest are reported as an addition in expenditures on the Statement of Activities	3,300
<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	221,427
OPEB related items	688,406
Change in net position of governmental activities	<u>\$ 1,838,912</u>

See accompanying notes to financial statements.

REESE PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2022

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, 2022

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.

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.

Capital Projects Fund - Sinking Fund - The Sinking Fund is used to account for the recording of transactions relative to capital improvements within the School District.

REESE PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2022

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, 2022

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. The School District has assigned fund balance in the amount of \$101,598 for the purchase of a school bus that was ordered during the fiscal year but not received prior to year-end. 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.

REESE PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 benefits contributions made after the measurement date. This amount will reduce the net pension liability in the following year.

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.

REESE PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

State Aid - For the fiscal year ended June 30, 2022, 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, 2022, the foundation allowance was based on the average pupil membership counts taken in February 2021 and September 2021.

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 2021 - August 2022. The local revenue is recognized as outlined in Note 1. Amounts receivable from the State of Michigan at June 30, 2022 relating to state aid is \$1,294,690.

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.

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
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE 2 - BUDGETS (CONTINUED)

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 School 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.
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.

REESE PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

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	\$ 4,050,670

As of June 30, 2022 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, 2022, \$3,571,676 of the School District's bank balance of \$4,180,690 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.

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.

Investment type	Fair value	Weighted average maturity (years)
MILAF External Investment Pool - CMC	\$ 109,014	N/A

REESE PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

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.

<u>Investment type</u>	<u>Fair value</u>	<u>Rating</u>	<u>Rating Agency</u>
MILAF External Investment Pool - CMC	\$ <u>109,014</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:

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

REESE PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

MILAF External Investment pool - CMC \$ 109,014

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

NOTE 4 - CAPITAL ASSETS

A summary of changes in governmental capital assets follows:

	Balance June 30, 2021	Additions	Disposals and Adjustments	Balance June 30, 2022
Assets not being depreciated:				
Land	\$ 519,823	\$ 0	\$ 0	\$ 519,823
Capital assets being depreciated:				
Buildings and improvements	12,294,668	1,142,238	(1,574,600)	11,862,306
Buses and other vehicles	866,232	44,196	(26,226)	884,202
Furniture and equipment	439,521	41,532	0	481,053
Subtotal	<u>13,600,421</u>	<u>1,227,966</u>	<u>(1,600,826)</u>	<u>13,227,561</u>
Accumulated depreciation:				
Buildings and improvements	6,340,644	275,537	(1,506,700)	5,109,481
Buses and other vehicles	476,469	82,506	(26,226)	532,749
Furniture and equipment	156,435	71,534	0	227,969
Subtotal	<u>6,973,548</u>	<u>429,577</u>	<u>(1,532,926)</u>	<u>5,870,199</u>
Net capital assets being depreciated	<u>6,626,873</u>	<u>798,389</u>	<u>(67,900)</u>	<u>7,357,362</u>
Net capital assets	<u>\$ 7,146,696</u>	<u>\$ 798,389</u>	<u>\$ (67,900)</u>	<u>\$ 7,877,185</u>

Depreciation expense for fiscal year ended June 30, 2022 was \$429,577. The School District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

REESE PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

A summary of interfund receivable and payable balances at June 30, 2022 are as follows:

		<u>Payables</u>
		<u>General</u>
	Receivables Food Service	\$ 360

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.

NOTE 6 - RECEIVABLES

Receivables at June 30, 2022 consist of accounts (fees), intergovernmental grants and interest.

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

State aid and grants	\$ 1,294,690
Federal grants	584,976
ISD	113,616
	\$ 1,993,282

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 \$43,977.

REESE PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2022

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, 2022, the School District has issued a state aid anticipation note payable in the amount of \$350,000, which has an interest rate of 0.11% and matures on July 20, 2022, and a state aid anticipation note payable in the amount of \$350,000, which has an interest rate of 0.12% and matures on August 22, 2022. 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, 2022 is as follows:

	Beginning Balance	Issued	Redeemed	Ending Balance
2020 A-1 Note	\$ 160,090	\$ 0	\$ 160,090	\$ 0
2020 A-2 Note	450,000	0	450,000	0
2021 A-1 Note	0	350,000	279,929	70,071
2021 A-2 Note	0	350,000	0	350,000
	\$ 610,090	\$ 700,000	\$ 890,019	\$ 420,071

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, 2022:

	Balance June 30, 2021	Additions	Retirements and Payments	Balance June 30, 2022	Amount Due Within One Year
General obligation bonds	\$ 4,300,351	\$ 0	\$ 413,309	\$ 3,887,042	\$ 428,309
Compensated absences	163,000	0	16,000	147,000	0
	\$ 4,463,351	\$ 0	\$ 429,309	\$ 4,034,042	\$ 428,309

Long-term obligations at June 30, 2022 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%	\$ 3,555,000
Bond premium	332,042
Total bonded debt	\$ 3,887,042

REESE PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE 9 - LONG-TERM OBLIGATIONS (CONTINUED)

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, 2022, the amount of \$147,000 has been recorded in the district-wide financial statements.

The annual debt service requirements on long-term debt as of June 30, 2022, including interest payments are as follows:

<u>Year Ended June 30</u>	General Obligation Bonds		
	Principal	Interest	Total
2023	\$ 385,000	\$ 142,200	\$ 527,200
2024	400,000	126,800	526,800
2025	415,000	110,800	525,800
2026	435,000	94,200	529,200
2027	450,000	76,800	526,800
2028 - 2030	1,470,000	119,200	1,589,200
	\$ 3,555,000	\$ 670,000	\$ 4,225,000

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.

REESE PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2022

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.

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

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

Benefits Provided - Overall

Participants are enrolled in one of multiple plans based on date of hire and certain voluntary elections. A summary of the 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

Benefits Provided - Pension

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Retirement benefits for DB plan members are determined by final average compensation and years of service. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

Prior to Pension reform of 2010 there were two plans commonly referred to as Basic and the Member Investment Plan (MIP). Basic Plan member's contributions range from 0% - 4%. On January 1, 1987, the Member Investment Plan (MIP) was enacted. MIP members enrolled prior to January 1, 1990, contribute at a permanently fixed rate of 3.9% of gross wages. Members first hired January 1, 1990, or later including Pension Plus Plan members, contribute at various graduated permanently fixed contribution rates from 3.0% - 7.0%.

REESE PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2022

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

Pension Reform 2010

On May 19, 2010, the Governor signed Public Act 75 of 2010 into law. As a result, any member of the Michigan Public School Employees' Retirement System (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.

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.

REESE PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2022

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

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.

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.

REESE PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2022

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

Benefits Provided – Other postemployment benefit (OPEB)

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

Retiree Healthcare Reform of 2012

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

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

Regular Retirement (no reduction factor for age)

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

REESE PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2022

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

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

Member Contributions

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

Employer Contributions

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

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

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

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

The School District's pension contributions for the year ended June 30, 2022 were equal to the required contribution total. Total pension contributions were approximately \$1,518,000. Of the total pension contributions approximately \$1,394,000 was contributed to fund the Defined Benefit Plan and approximately \$124,000 was contributed to fund the Defined Contribution Plan.

REESE PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2022

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

The School District's OPEB contributions for the year ended June 30, 2022 were equal to the required contribution total. Total OPEB contributions were approximately \$296,000. Of the total OPEB contributions approximately \$293,000 was contributed to fund the Defined Benefit Plan and approximately \$3,000 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).

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

Pension Liabilities

The net pension liability was measured as of September 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2020 and rolled-forward using generally accepted actuarial procedures. The 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, 2021	September 30, 2020
Total Pension Liability	\$ 86,392,473,395	\$ 85,290,583,799
Plan Fiduciary Net Position	\$ 62,717,060,920	\$ 50,939,496,006
Net Pension Liability	\$ 23,675,412,475	\$ 34,351,087,793
Proportionate share	0.04253 %	0.04190 %
Net Pension liability for the School District	\$ 10,069,297	\$ 14,394,071

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

For the year ended June 30, 2022, the School District recognized pension expense of approximately \$471,000.

REESE PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2022

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

At June 30, 2022, 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	\$ 155,978	\$ (59,296)
Net difference between projected and actual earnings on pension plan investments	0	(3,237,247)
Changes in assumptions	634,733	0
Changes in proportion and differences between employer contributions and proportionate share of contributions	145,640	(170,162)
Unearned revenue related to pension portion of section 147 c	0	(672,438)
School District's contributions subsequent to the measurement date	<u>1,235,901</u>	<u>0</u>
Total	<u>\$ 2,172,252</u>	<u>\$ (4,139,143)</u>

\$1,235,901, 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:

Year Ended June 30	<u>Amount</u>
2023	\$ (335,571)
2024	(581,779)
2025	(756,108)
2026	(856,896)
	<u>\$ (2,530,354)</u>

REESE PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2022

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, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation date of September 30, 2020 and rolled-forward using generally accepted actuarial procedures. The 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, 2021	September 30, 2020
Total OPEB Liability	\$ 12,046,393,511	\$ 13,206,903,534
Plan Fiduciary Net Position	\$ 10,520,015,621	\$ 7,849,636,555
Net OPEB Liability	\$ 1,526,377,890	\$ 5,357,266,979
Proportionate share	0.04303 %	0.04218 %
Net OPEB liability for the School District	\$ 656,746	\$ 2,259,884

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

For the year ended June 30, 2022, the School District recognized OPEB expense of approximately \$456,447.

REESE PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2022

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

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

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Difference between expected and actual experience	\$ 0	\$ (1,874,636)
Net difference between projected and actual plan investments	0	(495,002)
Changes in assumption	549,007	(82,152)
Changes in proportion and differences between employer contributions and proportionate share of contributions	92,157	(74,326)
School District's contributions subsequent to the measurement date	224,746	0
Total	\$ 865,910	\$ (2,526,116)

\$224,746, 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:

Year Ended June 30	Amount
2023	\$ (504,736)
2024	(460,653)
2025	(412,593)
2026	(367,477)
2027	(123,314)
Thereafter	(16,179)
	\$ (1,884,952)

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, 2022

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% - 11.55%, including wage inflation at 2.75%..

Inflation - 3.0%

Mortality assumptions -

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

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

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

Experience study - The annual actuarial valuation report of the System used for these statements is dated September 30, 2020. Assumption changes as a result of an experience study for the periods 2012 through 2017 have been adopted by the System for use in the determination of the total pension and OPEB liability beginning with the September 30, 2018 Comprehensive Annual Financial Report.

The long-term expected rate of return on pension and other postemployment benefit plan investments - The pension rate was 6.80% (MIP, Basic, and Pension Plus Plan) and 6.00% for 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 and OPEB investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

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

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

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

REESE PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2022

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

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

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

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

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

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

Rate of return - For fiscal year ended September 30, 2021, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was 27.3% and 27.14% respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing 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, 2022

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:

	Pension		
	1% Decrease	Discount Rate	1% Increase
School District's proportionate share of the net pension liability	<u>\$14,396,364</u>	<u>\$10,069,297</u>	<u>\$6,481,875</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:

	Other postemployment benefit		
	1% Decrease	Discount Rate	1% Increase
School District's proportionate share of the net OPEB liability	<u>\$1,220,353</u>	<u>\$656,746</u>	<u>\$178,445</u>

REESE PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2022

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:

	Other postemployment benefit		
	1% Decrease	Current Healthcare cost trend rates	1% Increase
School District's proportionate share of the net OPEB liability	<u>\$159,847</u>	<u>\$656,746</u>	<u>\$1,215,818</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 2021 valuation.

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.

REESE PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE 13 - ECONOMIC DEPENDENCY

The School District received approximately 76% 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.

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, 2022.

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 \$10,500.

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

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
Required Supplemental Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2022

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Favorable (Unfavorable)
Local sources	\$ 1,201,950	\$ 1,175,675	\$ 1,187,338	\$ 11,663
State sources	6,619,753	7,235,757	7,242,063	6,306
Federal sources	674,425	946,837	937,338	(9,499)
Transportation fees	2,500	2,000	4,689	2,689
Interdistrict and other sources	170,000	170,000	152,228	(17,772)
Total revenues	<u>8,668,628</u>	<u>9,530,269</u>	<u>9,523,656</u>	<u>(6,613)</u>
<u>Expenditures</u>				
Instruction:				
Basic programs	4,560,074	4,946,118	4,870,809	75,309
Added needs	793,509	814,871	804,511	10,360
Support services:				
Pupil	431,966	410,863	409,652	1,211
Instructional staff	253,455	268,488	260,397	8,091
General administrative	266,079	260,119	250,209	9,910
School administrative	592,973	566,923	556,828	10,095
Business services	268,096	301,061	297,282	3,779
Operations and maintenance	733,124	1,003,316	961,677	41,639
Transportation	324,623	451,035	342,687	108,348
Information services	185,245	194,392	178,864	15,528
Community services	39,484	35,684	31,767	3,917
Athletics	241,963	248,418	240,536	7,882
Food Services	450	566	566	0
Total expenditures	<u>8,691,041</u>	<u>9,501,854</u>	<u>9,205,785</u>	<u>296,069</u>
Net change in fund balance	(22,413)	28,415	317,871	289,456
Fund balance - beginning of year	<u>1,560,793</u>	<u>1,560,793</u>	<u>1,560,793</u>	<u>0</u>
Fund balance - end of year	<u>\$ 1,538,380</u>	<u>\$ 1,589,208</u>	<u>\$ 1,878,664</u>	<u>\$ 289,456</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>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Reporting unit's proportion of net pension liability (%)	0.04253 %	0.04190 %	0.04229 %	0.04340 %	0.04356 %	0.04309 %	0.04282 %	0.04233 %
Reporting unit's proportionate share of net pension liability	\$ 10,069,297	\$ 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*	\$ 3,856,145	\$ 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	38.29607 %	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)	72.60000 %	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>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contributions	\$ 1,394,257	\$ 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>1,394,257</u>	<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>	<u>\$ 0</u>
Reporting unit's covered-employee payroll**	\$ 3,998,675	\$ 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	34.87 %	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>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Reporting unit's proportion of net OPEB liability (%)	0.04303 %	0.04218 %	0.04157 %	0.04305 %	0.04343 %
Reporting unit's proportionate share of net OPEB liability	\$ 656,746	\$ 2,259,884	\$ 2,984,022	\$ 3,422,415	\$ 3,845,669
Reporting unit's covered-employee payroll*	\$ 3,856,145	\$ 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	587.15927 %	164.55371 %	121.22139 %	107.29000 %	94.83239 %
Plan fiduciary net position as a percentage of total OPEB liability (Non-university employers)	87.33000 %	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>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contributions	\$ 292,601	\$ 289,304	\$ 281,170	\$ 272,064	\$ 297,009
Contributions in relation to statutorily required contributions*	<u>292,601</u>	<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>	<u>\$ 0</u>
Reporting unit's covered-employee payroll**	\$ 3,998,675	\$ 3,750,026	\$ 3,731,289	\$ 3,601,912	\$ 3,671,010
Contributions as a percentage of covered-employee payroll	7.32 %	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, 2022

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

REESE PUBLIC SCHOOLS
 Other Supplemental Information
 Combining Balance Sheet
 Nonmajor Governmental Funds
June 30, 2022

	Special Revenue Funds		
	Food Service	Student/ School Activities	Total
<u>Assets</u>			
Cash and investments	\$ 308,013	\$ 314,108	\$ 622,121
Receivables - net:			
Due from other funds	360	0	360
Due from other governmental units	20,687	0	20,687
Prepaid expenditures	45,000	0	45,000
Total assets	\$ 374,060	\$ 314,108	\$ 688,168
<u>Liabilities and Fund Balance</u>			
<u>Liabilities</u>			
Accounts payable	\$ 54,157	\$ 0	\$ 54,157
Unearned revenue	7,038	0	7,038
Total liabilities	61,195	0	61,195
<u>Fund Balance</u>			
Non-spendable - prepaids	45,000	0	45,000
Restricted for food service	267,865	0	267,865
Committed for student/school activities	0	314,108	314,108
Total fund balance	312,865	314,108	626,973
	\$ 374,060	\$ 314,108	\$ 688,168

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, 2022

	<u>Special Revenue Funds</u>		
	<u>Food Service</u>	<u>Student/ School Activities</u>	<u>Total</u>
Local sources	\$ 33,670	\$ 278,187	\$ 311,857
State sources	27,698	0	27,698
Federal sources	740,804	0	740,804
Total revenues	<u>802,172</u>	<u>278,187</u>	<u>1,080,359</u>
 <u>Expenditures</u>			
Current:			
Food services	711,874	0	711,874
Student/school activities	<u>0</u>	<u>277,463</u>	<u>277,463</u>
Total expenditures	<u>711,874</u>	<u>277,463</u>	<u>989,337</u>
Net change in fund balance	90,298	724	91,022
Fund balance - beginning of year	<u>222,567</u>	<u>313,384</u>	<u>535,951</u>
Fund balance - end of year	<u>\$ 312,865</u>	<u>\$ 314,108</u>	<u>\$ 626,973</u>

REESE PUBLIC SCHOOLS
Other Supplemental Information
Schedule of Bonded Indebtedness - 2015 Bond Refunding
For the Year Ended June 30, 2022

PURPOSE

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.

DATE OF ISSUE

March 19, 2015

INTEREST PAYABLE

May 1 and November 1 of each year

AMOUNT OF ISSUE

\$ 5,860,000

AMOUNT REDEEMED

During prior years	\$ 1,935,000	
During current year	<u>370,000</u>	<u>2,305,000</u>

BALANCE OUTSTANDING - June 30, 2022

\$ 3,555,000

<u>Fiscal Year</u>	<u>Interest Rate</u>	<u>Requirements</u>		
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 3,555,000</u>	<u>\$ 670,000</u>	<u>\$ 4,225,000</u>



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

September 6, 2022

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, 2022 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 6, 2022.

Report on 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 were not identified.



WEINLANDER FITZHUGH

Certified Public Accountants & Advisors

Report on 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



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

September 6, 2022

Board of Education
Reese Public Schools
Reese, Michigan

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

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, 2022.

Basis for Opinion on Each Major Federal Program

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* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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



Responsibilities of Management for Compliance

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

Auditor's Responsibility for the Audit of Compliance

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

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

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

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



Report on Internal Control Over Compliance

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

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

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

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

Weinlander Fitzhugh

REESE PUBLIC SCHOOLS
 Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

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?
- Significant deficiency(ies) identified?

<input type="checkbox"/>	YES	<input checked="" type="checkbox"/>	NO
<input type="checkbox"/>	YES	<input checked="" type="checkbox"/>	NONE REPORTED
<input type="checkbox"/>	YES	<input checked="" type="checkbox"/>	NO

Noncompliance material to financial statements noted?

Federal Awards

Internal Control over major programs:

- Material weakness(es) identified?
- Significant deficiency(ies) identified?

<input type="checkbox"/>	YES	<input checked="" type="checkbox"/>	NO
<input type="checkbox"/>	YES	<input checked="" type="checkbox"/>	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)?

<input type="checkbox"/>	YES	<input checked="" type="checkbox"/>	NO
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Identification of major programs:

<u>ALN Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555, 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?

<input checked="" type="checkbox"/>	YES	<input type="checkbox"/>	NO
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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, 2022

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, 2022

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal AL Number	Approved Grant Award Amount	(Memo Only) Prior Year Expenditures	Accrued (Unearned) Revenue June 30, 2021	Adjustments and Transfers	Current Year Receipts (Cash Basis)	Current Year Expenditures	Accrued (Unearned) Revenue June 30, 2022
<u>U.S. Department of Education</u>								
Passed through Michigan Department of Education:								
Title I, Part A								
Title I Grants to Local Educational Agencies								
	84.010							
		\$ 128,131	\$ 121,899	\$ 121,899	\$ 0	\$ 121,899	\$ 0	\$ 0
		127,724	0	0	0	0	123,657	123,657
			121,899	121,899	0	121,899	123,657	123,657
Title I, Part C								
Migrant Education State Grant Program								
	84.011							
		115,609	5,195	5,195	0	115,610	110,415	0
		167,304	0	0	0	0	8,450	8,450
			5,195	5,195	0	115,610	118,865	8,450
Title II, Part A								
Improving Teacher Quality State Grants								
	84.367A							
		24,420	0	0	0	0	24,420	24,420
Title IV								
Student Support and Academic Enrichment Program								
	84.424							
		10,000	0	0	0	0	10,000	10,000
Education Stabilization Fund								
COVID-19 - Elementary and Secondary School								
Emergency Relief Funds								
	84.425C	12,500	0	0	0	12,500	12,500	0
	84.425D	386,502	168,515	168,515	0	168,515	217,987	217,987
	84.425D	47,300	0	0	0	0	31,486	31,486
	84.425D	15,950	0	0	0	0	6,628	6,628
	84.425U	868,645	0	0	0	0	156,282	156,282
			168,515	168,515	0	181,015	424,883	412,383
Passed through Tuscola ISD								
IDEA Special Education								
	84.027A							
		234,899	0	0	0	234,899	234,899	0
Total U.S. Department of Education			295,609	295,609	0	653,423	936,724	578,910

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, 2022

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal AL Number	Approved Grant Award Amount	(Memo Only) Prior Year Expenditures	Accrued (Unearned) Revenue June 30, 2021	Adjustments and Transfers	Current Year Receipts (Cash Basis)	Current Year Expenditures	Accrued (Unearned) Revenue June 30, 2022
<u>U.S. Department of Agriculture</u>								
Passed through Michigan Department of Education								
Child Nutrition Cluster								
Non-Cash Assistance (Commodities)								
Entitlement	10.555	\$ 37,296	\$ 0	\$ 0	\$ 0	\$ 37,296	\$ 37,296	\$ 0
Cash Assistance								
COVID-19 - School Breakfast Program	10.553							
2119712021		33,047	0	0	0	33,047	33,047	0
2219712122		208,946	0	0	0	208,946	208,946	0
			<u>0</u>	<u>0</u>	<u>0</u>	<u>241,993</u>	<u>241,993</u>	<u>0</u>
COVID-19 - National School Lunch Program	10.555							
2119612021		57,578	0	0	0	57,578	57,578	0
2219612122		345,937	0	0	0	345,937	345,937	0
2109802021		614	0	0	0	614	614	0
2219802122		353	0	0	0	353	353	0
2209102122		21,519	0	0	0	21,519	21,519	0
			<u>0</u>	<u>0</u>	<u>0</u>	<u>426,001</u>	<u>426,001</u>	<u>0</u>
COVID-19 - Summer Food Service Program for Children	10.559							
2109042021		543,258	543,258	19,992	0	48,033	28,041	0
2209042122		6,066	0	0	0	0	6,066	6,066
			<u>543,258</u>	<u>19,992</u>	<u>0</u>	<u>48,033</u>	<u>34,107</u>	<u>6,066</u>
Total Child Nutrition Cluster			<u>543,258</u>	<u>19,992</u>	<u>0</u>	<u>753,323</u>	<u>739,397</u>	<u>6,066</u>
Child and Adult Care Food Program	10.558							
2119202021		1,517	1,132	0	0	385	385	0
2219202122		1,636	0	0	0	1,636	1,636	0
			<u>1,132</u>	<u>0</u>	<u>0</u>	<u>2,021</u>	<u>2,021</u>	<u>0</u>
Total U.S. Department of Agriculture			<u>544,390</u>	<u>19,992</u>	<u>0</u>	<u>755,344</u>	<u>741,418</u>	<u>6,066</u>
			<u>\$ 839,999</u>	<u>\$ 315,601</u>	<u>\$ 0</u>	<u>\$ 1,408,767</u>	<u>\$ 1,678,142</u>	<u>\$ 584,976</u>

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, 2022

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, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of 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 Nexsys 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, 2022, the School District received immaterial amounts of donated personal protective equipment.