

REESE PUBLIC SCHOOLS  
REESE, MICHIGAN

FINANCIAL STATEMENTS  
JUNE 30, 2024



**WEINLANDER FITZHUGH**  
Certified Public Accountants & Advisors

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## **INDEPENDENT AUDITOR'S REPORT**

October 14, 2024

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, 2024 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 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, 2024 and the respective changes in financial position and, where applicable, cash flows thereof 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.

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, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with 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' 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' 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.



**WEINLANDER FITZHUGH**

Certified Public Accountants & Advisors

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2024, 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, 2024

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, 2024.

**Financial Highlights**

The School District's net position increased by \$1,998,814 or 45%. Program revenues were \$5,229,931 or 39% of total revenues, and general revenues were \$8,282,243 or 61%.

The General Fund reported a positive fund balance of \$2,485,807. The 2015 Debt Retirement Fund reported a positive fund balance of \$1,307,874. The Capital Projects Fund - Sinking Fund reported a positive fund balance of \$1,330,504.

**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, 2024

**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, 2024

**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, 2024 and 2023:

<b>Exhibit A</b>	Governmental Activities	
	2024	2023
<b>Assets</b>		
Current and other assets	\$ 7,490,122	\$ 7,108,659
Net OPEB asset	231,230	0
Capital assets - net of accumulated depreciation	7,917,819	7,908,942
Total assets	15,639,171	15,017,601
<b>Deferred Outflows of Resources</b>		
Related to refunding	52,081	61,273
Related to pensions and OPEB	4,600,318	6,000,539
Total deferred outflows of resources	4,652,399	6,061,812
<b>Liabilities</b>		
Current liabilities	2,155,410	2,176,404
Long-term liabilities	16,278,504	20,205,953
Total liabilities	18,433,914	22,382,357
<b>Deferred Inflows of Resources</b>		
Related to pensions and OPEB	4,329,032	3,167,246
<b>Net Position</b>		
Net investment in capital assets	4,902,395	4,450,209
Restricted	2,949,110	2,892,011
Restricted for net OPEB asset	231,230	0
Unrestricted	(10,554,111)	(11,812,410)
Total net position	\$ (2,471,376)	\$ (4,470,190)

The analysis above focuses on net position (see Exhibit A). The School District's net position was \$(2,471,376) at June 30, 2024. Investment in property and equipment, net of related debt totaling \$4,902,395, 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.

**REESE PUBLIC SCHOOLS**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2024**

The \$(10,554,111) 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.

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 \$13,543,289 for 2024 and \$16,127,935 for 2023.

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, an (asset) liability of \$(231,230) for 2024 and \$908,594 for 2023.

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, 2024 and 2023.

<b>Exhibit B</b>	Governmental Activities	
	2024	2023
<b>Revenues</b>		
Program revenue:		
Charges for services	\$ 639,693	\$ 686,842
Grants and categoricals	4,590,238	3,195,427
General revenue:		
Property taxes	1,787,054	2,099,761
State aid	6,278,217	5,900,394
Other	216,972	108,987
Total revenues	13,512,174	11,991,411
<b>Function/Program Expenses</b>		
Instruction	5,680,822	5,617,400
Support services	3,405,407	3,273,689
Community services	27,196	40,307
Food services	890,163	668,969
Athletics	268,252	257,732
Student/school activities	391,216	335,703
Capital outlay	157,995	54,005
Interest on long-term debt	80,991	95,502
Depreciation (unallocated)	611,318	272,050
Total expenses	11,513,360	10,615,357
<b>Change in Net Position</b>	\$ 1,998,814	\$ 1,376,054

**REESE PUBLIC SCHOOLS**  
**Management's Discussion and Analysis**  
For the Year Ended June 30, 2024

As reported in the statement of activities, the cost of all of our governmental activities this year was \$11,513,360. Certain activities were partially funded from those who benefited from the programs, \$639,693, or by the other governments and organizations that subsidized certain programs with grants and categoricals of \$4,590,238. We paid for the remaining "public benefit" portion of our governmental activities with \$1,787,054 in taxes, \$6,278,217 in State aid and with our other revenues, such as interest and entitlements.

The School District had an increase in net position of \$1,998,814. The major reason was due to increased state funding. 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 \$5,811,028, which is above last year's total of \$5,396,571. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2024 and 2023.

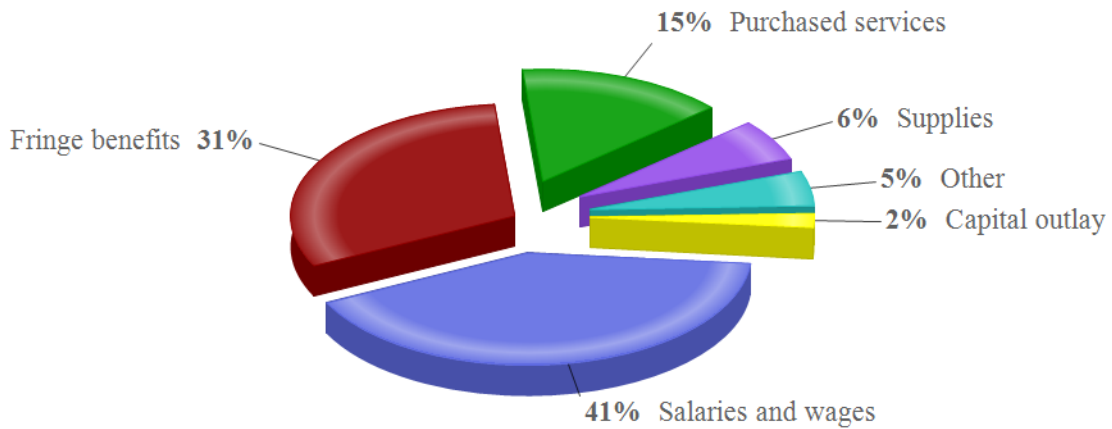
	Fund Balance 6/30/2024	Fund Balance 6/30/2023	Increase (Decrease)
General	\$ 2,485,807	\$ 2,134,546	\$ 351,261
2015 Debt Retirement	1,307,874	1,431,425	(123,551)
Capital Projects Fund - Sinking Fund	1,330,504	1,212,094	118,410
Special Revenue	686,843	618,506	68,337
	\$ 5,811,028	\$ 5,396,571	\$ 414,457

- Our General Fund increase is mainly attributable to increased state funding.
- Our Capital Projects Fund increased due to property tax revenues exceeding capital projects completed.
- Our Debt Service Funds decreased due to payments made on the outstanding bond.
- Our Special Revenue Funds increased due to additional funding for student meals in the Food Service Fund.

**REESE PUBLIC SCHOOLS**  
**Management's Discussion and Analysis**  
For the Year Ended June 30, 2024

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>2024</u>	<u>2023</u>
Salaries and wages	\$ 4,315,930	\$ 4,064,722
Fringe benefits	3,249,666	3,429,982
Purchased services	1,617,662	1,236,501
Supplies	685,308	577,421
Capital outlay	194,999	308,459
Other	521,787	493,638
Total	<u>\$ 10,585,352</u>	<u>\$ 10,110,723</u>

Expenditures have increased by \$474,629 mainly due to increased grant funded expenditures and higher building maintenance expenditures.

**REESE PUBLIC SCHOOLS**  
**Management's Discussion and Analysis**  
For the Year Ended June 30, 2024

**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 additional state aid received.
- Budgeted expenditures increased due to spending of the federal and state grants that were received.
- Actual revenues were less than budgeted amounts by \$20,799 due to local and federal revenues being less than anticipated.
- Actual expenditures were lower than budgeted amounts by \$239,131 due to not receiving various supplies by year-end and conservative spending.

**Capital Assets**

At June 30, 2024, the School District had \$7,917,819 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 0% from last year.

	2024	2023
Land	\$ 519,823	\$ 519,823
Buildings and improvements	12,513,408	12,042,286
Buses and other vehicles	1,052,598	910,968
Furniture and equipment	504,225	496,782
Total capital assets	14,590,054	13,969,859
Less accumulated depreciation	6,672,235	6,060,917
Net capital assets	\$ 7,917,819	\$ 7,908,942

This year's additions of \$620,195 were for the elementary unit vent refurbishment project, a bus, elementary roof, elementary boiler, elementary lights project, and various equipment items.

We anticipate capital additions will continue with the renovations to the School District's facilities. 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.

**REESE PUBLIC SCHOOLS**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2024

**Debt**

At the end of this year, the School District had \$2,770,000 in bonds outstanding versus \$3,170,000 in the previous year - a decrease of 13%.

	<u>2024</u>	<u>2023</u>
2015 Improvement Bonds	<u>\$ 2,770,000</u>	<u>\$ 3,170,000</u>

We present more detailed information about our debt in the notes to the financial statements.

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

Our elected Board and administration considered many factors when setting the School District's 2025 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 2025 fiscal year budget was adopted in June 2024, based on an estimate of students that will be enrolled in September 2024. 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 2024-2025 school year, we anticipate that the fall student count will be close to the estimates used in creating the 2025 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 2024-2025.

**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, 2024

	Governmental Activities
Cash and investments	\$ 5,462,613
Receivables - net:	
Due from other governmental units	1,927,514
Accounts receivable	39,305
Prepaid expense	45,000
Deposits	15,690
Capital assets less accumulated depreciation \$6,672,235	7,917,819
Net OPEB Asset	231,230
Total assets	15,639,171
 <u>Deferred Outflows of Resources</u>	
Related to pensions	3,809,302
Related to OPEB	791,016
Loss on bond refunding	52,081
Total deferred outflows of resources	4,652,399
 <u>Liabilities</u>	
Accounts payable	119,555
Unearned revenue	170,723
Accrued interest payable	18,007
Accrued payroll and other liabilities	1,006,271
State aid anticipation note payable	382,545
Long-term liabilities:	
Due within one year	458,309
Due in more than one year	2,735,215
Net pension liability	13,543,289
Total liabilities	18,433,914
 <u>Deferred Inflows of Resources</u>	
Related to pensions	2,420,520
Related to OPEB	1,908,512
Total deferred inflows of resources	4,329,032
 <u>Net Position</u>	
Net investment in capital assets	4,902,395
Restricted for debt service	1,289,867
Restricted for capital projects	1,330,504
Restricted for food service	328,739
Restricted for net OPEB asset	231,230
Unrestricted	(10,554,111)
Total net position	\$ (2,471,376)

See accompanying notes to financial statements.

REESE PUBLIC SCHOOLS  
Statement of Activities  
For the Year Ended June 30, 2024

	Program Revenues			Governmental Activities
Expenses	Charges for Services	Operating Grants/ Contributions	Net (Expense) Revenue and Changes in Net Position	
<u>Functions/Programs</u>				
Primary government -				
Governmental activities:				
Instruction	\$ 5,680,822	\$ 114,495	\$ 2,892,055	\$ (2,674,272)
Support services	3,405,407	0	786,767	(2,618,640)
Community services	27,196	20,990	0	(6,206)
Food services	890,163	49,569	911,416	70,822
Athletics	268,252	55,648	0	(212,604)
Student/school activities	391,216	398,991	0	7,775
Capital outlay	157,995	0	0	(157,995)
Interest on long-term debt	80,991	0	0	(80,991)
Depreciation (unallocated)	611,318	0	0	(611,318)
Total governmental activities	<u>\$ 11,513,360</u>	<u>\$ 639,693</u>	<u>\$ 4,590,238</u>	<u>(6,283,429)</u>
General revenues:				
Taxes:				
Property taxes, levied for general purposes				1,068,305
Property taxes, levied for capital projects				414,782
Property taxes, levied for debt services				303,967
State aid				6,278,217
Interest and investment earnings				133,584
Other				83,388
Total general revenues				<u>8,282,243</u>
Change in net position				1,998,814
Net position - beginning of year				<u>(4,470,190)</u>
Net position - end of year				<u>\$ (2,471,376)</u>

See accompanying notes to financial statements.

REESE PUBLIC SCHOOLS  
Governmental Funds  
Balance Sheet  
June 30, 2024

	General	2015 Debt Retirement	Capital Projects Fund - Sinking Fund	Other Nonmajor Governmental Funds	Total
<u>Assets</u>					
Cash and investments	\$ 2,124,421	\$ 1,307,874	\$ 1,330,504	\$ 699,814	\$ 5,462,613
Receivables - net:					
Due from other funds	0	0	0	414	414
Due from other governmental units	1,890,019	0	0	37,495	1,927,514
Accounts receivable	39,305	0	0	0	39,305
Prepaid expenditures	0	0	0	45,000	45,000
Deposits	15,690	0	0	0	15,690
 Total assets	 <u>\$ 4,069,435</u>	 <u>\$ 1,307,874</u>	 <u>\$ 1,330,504</u>	 <u>\$ 782,723</u>	 <u>\$ 7,490,536</u>
<u>Liabilities and Fund Balance</u>					
<u>Liabilities</u>					
Accounts payable	\$ 23,675	\$ 0	\$ 0	\$ 95,880	\$ 119,555
Due to other funds	414	0	0	0	414
Unearned revenue	170,723	0	0	0	170,723
Accrued payroll and other liabilities	1,006,271	0	0	0	1,006,271
State aid anticipation note payable	382,545	0	0	0	382,545
 Total liabilities	 <u>1,583,628</u>	 <u>0</u>	 <u>0</u>	 <u>95,880</u>	 <u>1,679,508</u>
<u>Fund Balance</u>					
Nonspendable - prepaid	0	0	0	45,000	45,000
Restricted for debt service	0	1,307,874	0	0	1,307,874
Restricted for capital projects	0	0	1,330,504	0	1,330,504
Restricted for food service	0	0	0	283,739	283,739
Committed for student/school activities	0	0	0	358,104	358,104
Unassigned	2,485,807	0	0	0	2,485,807
 Total fund balance	 <u>2,485,807</u>	 <u>1,307,874</u>	 <u>1,330,504</u>	 <u>686,843</u>	 <u>5,811,028</u>
 Total liabilities and fund balance	 <u>\$ 4,069,435</u>	 <u>\$ 1,307,874</u>	 <u>\$ 1,330,504</u>	 <u>\$ 782,723</u>	 <u>\$ 7,490,536</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, 2024

Total fund balance - governmental funds	\$ 5,811,028
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>	
Net OPEB asset is not a current financial resource and therefore is not reported in the funds	231,230
Capital assets used in governmental activities are not financial resources and are not reported in the funds	
Cost of the capital assets	14,590,054
Accumulated depreciation	(6,672,235)
<p>Deferred outflows used in governmental activities are not financial resources and therefore are not reported in governmental funds:</p>	
Related to pensions	3,809,302
Related to OPEB	791,016
Loss on bond refunding	52,081
<p>Long-term liabilities are not due and payable in the current period and are not reported in the funds:</p>	
Bonds payable	(2,770,000)
Compensated absences	(178,100)
Unamortized debt premium	(245,424)
Net pension liability	(13,543,289)
Accrued interest payable is included as a liability in governmental activities	(18,007)
<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	(2,420,520)
Related to OPEB	(1,908,512)
Total net position - governmental activities	\$ (2,471,376)

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, 2024**

	General	2015 Debt Retirement	Capital Project Fund - Sinking Fund	Other Nonmajor Governmental Funds	Total
<u>Revenues</u>					
Local sources	\$ 1,268,149	\$ 357,047	\$ 458,309	\$ 451,098	\$ 2,534,603
State sources	8,706,607	46,702	0	194,803	8,948,112
Federal sources	843,878	0	0	717,356	1,561,234
Interdistrict and other sources	117,979	0	0	0	117,979
Total revenues	10,936,613	403,749	458,309	1,363,257	13,161,928
<u>Expenditures</u>					
Current:					
Instruction	6,264,832	0	0	0	6,264,832
Support services	4,025,072	0	0	0	4,025,072
Community services	27,196	0	0	0	27,196
Capital outlay	0	0	339,899	0	339,899
Athletics	268,252	0	0	0	268,252
Food services	0	0	0	903,704	903,704
Student/school activities	0	0	0	391,216	391,216
Principal	0	400,000	0	0	400,000
Interest and other	0	127,300	0	0	127,300
Total expenditures	10,585,352	527,300	339,899	1,294,920	12,747,471
Net change in fund balance	351,261	(123,551)	118,410	68,337	414,457
Fund balance - beginning of year	2,134,546	1,431,425	1,212,094	618,506	5,396,571
Fund balance - end of year	\$ 2,485,807	\$ 1,307,874	\$ 1,330,504	\$ 686,843	\$ 5,811,028

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, 2024**

Net change in fund balance - total governmental funds	\$ 414,457
<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	(611,318)
Capital outlay	620,195
Repayment of bonds	400,000
<p>The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, where as these amounts are deferred and amortized in the statement of activities. The effect of these differences is the treatment of long-term debt and related items as follows:</p>	
Amortization of bond premium	43,309
Amortization of loss on refunding	(9,192)
Increases in compensated absences are reported as a decrease in expenditures when financial resources are used in the governmental fund in accordance with GASB Interpretation No. 6	(24,100)
Decreases in accrued interest are reported as an addition in expenditures on the Statement of Activities	3,000
<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	406,407
OPEB related items	756,056
Change in net position of governmental activities	<u>\$ 1,998,814</u>

See accompanying notes to financial statements.

REESE PUBLIC SCHOOLS  
Notes to Financial Statements  
For the Year Ended June 30, 2024

**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, 2024

**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** - 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** - 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, 2024

**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, 2024

**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's intent would be to spend uncommitted/unassigned funds prior to the use of committed funds. When both restricted and unrestricted resources are available for use, it is the School District's policy to use restricted resources first, then unrestricted resources as they are needed.

**Deferred Outflows and Inflows of Resources**

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

REESE PUBLIC SCHOOLS  
Notes to Financial Statements  
For the Year Ended June 30, 2024

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

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

**Use of Estimates** - The process of preparing the basic financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

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

**State Aid** - For the fiscal year ended June 30, 2024, 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, 2024, the foundation allowance was based on the average pupil membership counts taken in February 2023 and September 2023.

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 2023 - August 2024. The local revenue is recognized as outlined in Note 1. Amounts receivable from the State of Michigan at June 30, 2024 relating to state aid is \$1,617,348.

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

**REESE PUBLIC SCHOOLS**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2024**

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

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

**NOTE 2 - BUDGETS**

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

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

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

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

Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, in the General Fund are noted in the required supplementary information section.

**NOTE 3 - CASH AND INVESTMENTS**

In accordance with Michigan Compiled Laws, the 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.

**REESE PUBLIC SCHOOLS**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2024**

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

2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration (NCUA), but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or federal agency obligations repurchase agreements.
5. Bankers acceptances of United States banks.
6. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

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

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

	Primary Government
Cash and cash equivalents	\$ <u>5,462,613</u>

As of June 30, 2024 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, 2024, \$5,040,385 of the School District's bank balance of \$5,659,946 was exposed to custodial credit risk because it was uninsured and uncollateralized.

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

REESE PUBLIC SCHOOLS  
Notes to Financial Statements  
For the Year Ended June 30, 2024

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

The School District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the School District will do business.

**Interest rate risk.** In accordance with its investment policy, the School District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the School District's cash requirements.

<b>Investment type</b>	<b>Fair value</b>	<b>Weighted average maturity (years)</b>
MILAF External Investment Pool - CMC	\$ <u>119,562</u>	N/A

**Concentration of credit risk.** The School District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the School District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure by credit quality.

<b>Investment type</b>	<b>Fair value</b>	<b>Rating</b>	<b>Rating Agency</b>
MILAF External Investment Pool - CMC	\$ <u>119,562</u>	AAAm	Standard & Poor's

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

**Fair value measurement.** The School District is required to disclose amounts within a framework established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

**REESE PUBLIC SCHOOLS**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2024**

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

Level 1: Quoted prices in active markets for identical securities.

Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include prices for similar securities, interest rates, prepayment speeds, credit risk and others.

Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used. Unobservable inputs reflect the School District's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

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

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

	Amortized Cost
MILAF External Investment pool - CMC	<u>\$ 119,562</u>

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

**REESE PUBLIC SCHOOLS**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2024**

**NOTE 4 - CAPITAL ASSETS**

A summary of changes in governmental capital assets follows:

	<u>Balance</u> <u>June 30, 2023</u>	<u>Additions</u>	<u>Disposals and</u> <u>Adjustments</u>	<u>Balance</u> <u>June 30, 2024</u>
Assets not being depreciated:				
Land	\$ 519,823	\$ 0	\$ 0	\$ 519,823
Capital assets being depreciated:				
Buildings and improvements	12,042,286	465,024	6,098	12,513,408
Buses and other vehicles	910,968	141,630	0	1,052,598
Furniture and equipment	496,782	13,541	(6,098)	504,225
Subtotal	<u>13,450,036</u>	<u>620,195</u>	<u>0</u>	<u>14,070,231</u>
Accumulated depreciation:				
Buildings and improvements	5,278,613	507,750	0	5,786,363
Buses and other vehicles	543,205	97,116	0	640,321
Furniture and equipment	239,099	6,452	0	245,551
Subtotal	<u>6,060,917</u>	<u>611,318</u>	<u>0</u>	<u>6,672,235</u>
Net capital assets being depreciated	<u>7,389,119</u>	<u>8,877</u>	<u>0</u>	<u>7,397,996</u>
Net capital assets	<u>\$ 7,908,942</u>	<u>\$ 8,877</u>	<u>\$ 0</u>	<u>\$ 7,917,819</u>

Depreciation expense for fiscal year ended June 30, 2024 was \$611,318. The School District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

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

A summary of interfund receivable and payable balances at June 30, 2024 are as follows:

	<u>Payables</u>
	<u>General</u>
Receivables   Food Service	<u>\$ 414</u>

These interfund receivable and payable balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur; (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

There were no interfund transfers during the year.

**REESE PUBLIC SCHOOLS**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2024**

**NOTE 6 - RECEIVABLES**

Receivables at June 30, 2024 consist of accounts (fees), intergovernmental grants and interest.

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

State aid and grants	\$	1,617,348
Federal grants		157,417
ISD		152,749
		\$ 1,927,514

**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 \$170,723.

**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, 2024, the School District has issued a state aid anticipation note payable in the amount of \$400,000, which has an interest rate of 3.46% and matures on July 22, 2024, and a state aid anticipation note payable in the amount of \$300,000, which has an interest rate of 3.46% and matures on August 20, 2024. 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, 2024 is as follows:

	Beginning Balance	Issued	Redeemed	Ending Balance
2022 A-1 Note	\$ 86,526	\$ 0	\$ 86,526	\$ 0
2022 A-2 Note	400,000	0	400,000	0
2023 A-1 Note	0	400,000	317,455	82,545
2023 A-2 Note	0	300,000	0	300,000
	\$ 486,526	\$ 700,000	\$ 803,981	\$ 382,545

State aid anticipation notes totaling \$600,000 were issued after June 30, 2024 in anticipation of the School District's 2024-2025 fiscal year state aid payments.

**REESE PUBLIC SCHOOLS**  
**Notes to Financial Statements**  
For the Year Ended June 30, 2024

**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, 2024:

	<u>Balance</u> <u>July 1, 2023</u>	<u>Additions</u>	<u>Retirements</u> <u>and Payments</u>	<u>Balance</u> <u>June 30, 2024</u>	<u>Amount Due</u> <u>Within One</u> <u>Year</u>
General obligation bonds	\$ 3,458,733	\$ 0	\$ 443,309	\$ 3,015,424	\$ 458,309
Compensated absences	<u>154,000</u>	<u>24,100</u>	<u>0</u>	<u>178,100</u>	<u>0</u>
	<u>\$ 3,612,733</u>	<u>\$ 24,100</u>	<u>\$ 443,309</u>	<u>\$ 3,193,524</u>	<u>\$ 458,309</u>

Long-term obligations at June 30, 2024 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%	\$ 2,770,000
Bond premium	<u>245,424</u>
Total bonded debt	<u>\$ 3,015,424</u>

Compensated absences include unused sick pay and vacation pay. Unused sick pay is calculated using the termination payoff rate of \$60 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 \$90 per unused day (maximum of 160 days). Vacation payouts are computed using an average daily rate using 220 days. At June 30, 2024, the amount of \$178,100 has been recorded in the district-wide financial statements.

The annual debt service requirements on long-term debt as of June 30, 2024, including interest payments are as follows:

<u>Year Ended June 30</u>	<u>General Obligation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 415,000	\$ 110,800	\$ 525,800
2026	435,000	94,200	529,200
2027	450,000	76,800	526,800
2028	470,000	58,800	528,800
2029	490,000	40,000	530,000
2030	510,000	20,400	530,400
	<u>\$ 2,770,000</u>	<u>\$ 401,000</u>	<u>\$ 3,171,000</u>

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For the Year Ended June 30, 2024

**NOTE 10 - RISK MANAGEMENT**

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

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

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

**Plan Description**

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

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

The System is administered by the Office of Retirement Services (ORS) within the Michigan Department of Technology, Management & Budget. The Department Director appoints the Office Director, with whom the general oversight of the System resides. The State 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

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

**Benefits Provided - Pension**

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

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

**Pension Reform 2010**

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

**Pension Reform 2012**

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

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

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

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

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

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

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

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

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

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

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

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

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

**Pension Reform of 2017**

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

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

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

**Retiree Healthcare Reform of 2012**

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

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Notes to Financial Statements  
For the Year Ended June 30, 2024

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

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

**Regular Retirement (no reduction factor for age)**

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

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

**Member Contributions**

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

**Employer Contributions**

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of 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, 2023 were determined as of the September 30, 2022 actuarial valuations. The pension and OPEB benefits, the unfunded (overfunded) actuarial accrued liabilities as of September 30, 2020, are amortized over a 16-year period beginning October 1, 2022 and ending September 30, 2038.

**REESE PUBLIC SCHOOLS**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2024**

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

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

	Pension	Other Postemployment Benefit
October 1, 2023 - September 30, 2024	13.90% - 23.03%	7.06% - 8.31%
October 1, 2022 - September 30, 2023	13.75% - 20.16%	7.21% - 8.07%

The School District's pension contributions for the year ended June 30, 2024 were equal to the required contribution total. Total pension contributions were approximately \$1,823,000. Of the total pension contributions approximately \$1,614,000 was contributed to fund the Defined Benefit Plan and approximately \$209,000 was contributed to fund the Defined Contribution Plan.

The School District's OPEB contributions for the year ended June 30, 2024 were equal to the required contribution total. Total OPEB contributions were approximately \$304,000. Of the total OPEB contributions approximately \$297,000 was contributed to fund the Defined Benefit Plan and approximately \$7,000 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).

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Notes to Financial Statements  
For the Year Ended June 30, 2024

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

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

**Pension Liabilities**

The net pension liability was measured as of September 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2022 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, 2023	September 30, 2022
Total Pension Liability	\$ 94,947,828,557	\$ 95,876,795,620
Plan Fiduciary Net Position	\$ 62,581,762,238	\$ 58,268,076,344
Net Pension Liability	\$ 32,366,066,319	\$ 37,608,719,276
Proportionate share	0.04184 %	0.04288 %
Net Pension liability for the School District	\$ 13,543,289	\$ 16,127,935

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

For the year ended June 30, 2024, the School District recognized pension expense of approximately \$1,776,000.

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For the Year Ended June 30, 2024

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

At June 30, 2024, 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	\$ 427,520	\$ (20,746)
Net difference between projected and actual earnings on pension plan investments	0	(277,140)
Changes in assumptions	1,835,177	(1,058,123)
Changes in proportion and differences between employer contributions and proportionate share of contributions	118,717	(263,394)
Unearned revenue related to pension portion of section 147 c	0	(801,117)
School District's contributions subsequent to the measurement date	<u>1,427,888</u>	<u>0</u>
<b>Total</b>	<u>\$ 3,809,302</u>	<u>\$ (2,420,520)</u>

\$1,427,888, reported as deferred outflows of resources related to pensions resulting from School District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

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

<b>Year Ended June 30</b>	<u>Amount</u>
2025	\$ 279,849
2026	180,523
2027	529,782
2028	(228,143)
	<u>\$ 762,011</u>

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For the Year Ended June 30, 2024

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

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

**OPEB (Asset) Liabilities**

The net OPEB (asset) liability was measured as of September 30, 2023, and the total OPEB liability used to calculate the net OPEB (asset) liability was determined by an actuarial valuation date of September 30, 2022 and rolled-forward using generally accepted actuarial procedures. The School District's proportion of the net OPEB (asset) 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, 2023	September 30, 2022
Total OPEB Liability	\$ 11,223,648,949	\$ 12,522,713,324
Plan Fiduciary Net Position	\$ 11,789,347,341	\$ 10,404,650,683
Net OPEB (Asset) Liability	\$ (565,698,392)	\$ 2,118,062,641
Proportionate share	0.04088 %	0.04290 %
Net OPEB (Asset) Liability for the School District	\$ (231,230)	\$ 908,594

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

For the year ended June 30, 2024, the School District recognized OPEB expense of approximately \$(548,000).

REESE PUBLIC SCHOOLS  
Notes to Financial Statements  
For the Year Ended June 30, 2024

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

At June 30, 2024, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred (Inflows) of Resources</b>
Difference between expected and actual experience	\$ 0	\$ (1,747,294)
Net difference between projected and actual plan investments	705	0
Changes in assumption	514,759	(61,987)
Changes in proportion and differences between employer contributions and proportionate share of contributions	52,921	(99,231)
School District's contributions subsequent to the measurement date	222,631	0
<b>Total</b>	<b>\$ 791,016</b>	<b>\$ (1,908,512)</b>

\$222,631, 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 (asset) liability in the subsequent fiscal year.

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

<b>Year Ended June 30</b>	<b>Amount</b>
2025	\$ (434,302)
2026	(390,606)
2027	(159,112)
2028	(161,807)
2029	(128,727)
Thereafter	(65,573)
	<b>\$ (1,340,127)</b>

**Actuarial Assumptions**

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

REESE PUBLIC SCHOOLS  
Notes to Financial Statements  
For the Year Ended June 30, 2024

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

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

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

**Inflation** - 3.0%

**Mortality assumptions -**

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

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

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

**Experience study** - The annual actuarial valuation report of the System used for these statements is dated September 30, 2022. Assumption changes as a result of an experience study for the periods 2017 through 2022 have been adopted by the System for use in the determination of the total pension and OPEB liability beginning with the September 30, 2023 valuation.

**The long-term expected rate of return on pension and other postemployment benefit plan investments** - The pension rate was 6.00% (MIP, Basic, Pension Plus Plan and Pension Plus 2 Plan), and the other postemployment benefit rate was 6.00%, net of investment and administrative expenses 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, 7.50% for year one and graded to 3.5% for year fifteen. Post 65, 6.25% 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, 2024

**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, 2023 and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<b>Investment Category</b>	<b>Target Allocation*</b>	<b>Long-Term Expected Real Rate of Return*</b>
Domestic Equity Pools	25.0%	5.8%
Private Equity Pools	16.0%	9.6%
International Equity Pools	15.0%	6.8%
Fixed Income Pools	13.0%	1.3%
Real Estate and Infrastructure Pools	10.0%	6.4%
Absolute Return Pools	9.0%	4.8%
Real Return/Opportunistic Pools	10.0%	7.3%
Short Term Investment Pools	2.0%	0.3%
<b>Total</b>	<b>100.0%</b>	

\*Long term rate of return are net of administrative expenses and 2.7% inflation.

**Rate of return** - For fiscal year ended September 30, 2023, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was 8.29% and 7.94% 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 6.00% was used to measure the total pension liability. This discount rate was based on the long-term rate of return on pension plan investments of 6.00%. The projection of cash flows used to determine this single discount rate assumed that plan 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.

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For the Year Ended June 30, 2024

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

**OPEB discount rate** - A single discount rate of 6.00% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 6.00%. The projection of cash flows used to determine this 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 6.00%, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	<b>Pension</b>		
	<b>1% Decrease</b>	<b>Discount Rate</b>	<b>1% Increase</b>
School District's proportionate share of the net pension liability	<u>\$18,296,944</u>	<u>\$13,543,289</u>	<u>\$9,585,700</u>

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

	<b>Other postemployment benefit</b>		
	<b>1% Decrease</b>	<b>Discount Rate</b>	<b>1% Increase</b>
School District's proportionate share of the net OPEB (asset) liability	<u>\$239,716</u>	<u>\$(231,230)</u>	<u>\$(635,962)</u>

REESE PUBLIC SCHOOLS  
Notes to Financial Statements  
For the Year Ended June 30, 2024

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

**Sensitivity to the net OPEB (asset) 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, as well as what the School District's proportionate share of the net other postemployment benefit (asset) liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	<b>Other postemployment benefit</b>		
	<b>1% Decrease</b>	<b>Current Healthcare cost trend rates</b>	<b>1% Increase</b>
School District's proportionate share of the net OPEB (asset) liability	<u>\$(636,972)</u>	<u>\$(231,230)</u>	<u>\$207,915</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 2023 Annual Comprehensive Financial Report.

**Payable to the Pension and OPEB Plan** - At year end the School District is current on all required pension and other postemployment benefit plan payments. Amounts accrued at year end for accounting purposes are 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).

**NOTE 12 - GRANTS**

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

**NOTE 13 - ECONOMIC DEPENDENCY**

The School District received approximately 80% of their General Fund revenue from the Michigan Department of Education. Due to the significance of this revenue source to the School District, the School District is considered to be economically dependent.

**REESE PUBLIC SCHOOLS**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2024**

**NOTE 14 - BOND AND 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 - Sinking Fund. The assets, liabilities, revenues and expenditures are included in the School District's basic financial statements for the year ended June 30, 2024.

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 Gilford Township and Merritt Township under this program were approximately \$23,400.

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.

REESE PUBLIC SCHOOLS  
Notes to Financial Statements  
For the Year Ended June 30, 2024

**NOTE 16 - UPCOMING ACCOUNTING PRONOUNCEMENT**

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

In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures*. This Statement requires a government to assess whether a concentration or constraint makes the government vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. If a government determines that those criteria for disclosure have been met for a concentration or constraint, it should disclose information in notes to financial statements in sufficient detail to enable users of financial statements to understand the nature of circumstances disclosed and the government's vulnerability to the risk of substantial impact. The School District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2024-2025 fiscal year.

In April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements*. This Statement establishes new accounting and financial reporting requirements—or modifies existing requirements—related to the following:

- a. Management's discussion and analysis (MD&A);
  - i. Requires that the information presented in MD&A be limited to the related topics discussed in five specific sections:
    - 1) Overview of the Financial Statements,
    - 2) Financial Summary,
    - 3) Detailed Analyses,
    - 4) Significant Capital Asset and Long-Term Financing Activity,
    - 5) Currently Known Facts, Decisions, or Conditions;
  - ii. Stresses detailed analyses should explain why balances and results of operations changed rather than simply presenting the amounts or percentages by which they changed;
  - iii. Removes the requirement for discussion of significant variations between original and final budget amounts and between final budget amounts and actual results;
- b. Unusual or infrequent items;
- c. Presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position;
  - i. Requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses and clarifies the definition of operating and nonoperating revenues and expenses;

REESE PUBLIC SCHOOLS  
Notes to Financial Statements  
For the Year Ended June 30, 2024

**NOTE 16 - UPCOMING ACCOUNTING PRONOUNCEMENT (CONTINUED)**

- ii. Requires that a subtotal for operating income (loss) and noncapital subsidies be presented before reporting other nonoperating revenues and expenses and defines subsidies;
- d. Information about major component units in basic financial statements should be presented separately in the statement of net position and statement of activities unless it reduces the readability of the statements in which case combining statements of should be presented after the fund financial statements;
- e. Budgetary comparison information should include variances between original and final budget amounts and variances between final budget and actual amounts with explanations of significant variances required to be presented in the notes to RSI;

The School District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2025-2026 fiscal year.

**REESE PUBLIC SCHOOLS**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule - General Fund**  
**For the Year Ended June 30, 2024**

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Favorable (Unfavorable)
<u>Revenues</u>				
Local sources	\$ 1,234,200	\$ 1,282,000	\$ 1,268,149	\$ (13,851)
State sources	7,918,546	8,706,455	8,706,607	152
Federal sources	526,702	863,457	843,878	(19,579)
Transportation fees	2,000	2,000	0	(2,000)
Interdistrict and other sources	131,500	103,500	117,979	14,479
Total revenues	<u>9,812,948</u>	<u>10,957,412</u>	<u>10,936,613</u>	<u>(20,799)</u>
<u>Expenditures</u>				
Instruction:				
Basic programs	5,072,801	5,277,619	5,262,219	15,400
Added needs	956,154	1,013,464	1,002,613	10,851
Support services:				
Pupil	459,100	493,473	484,425	9,048
Instructional staff	161,634	209,990	192,826	17,164
General administrative	311,904	377,975	369,256	8,719
School administrative	750,473	778,399	764,239	14,160
Business services	148,470	137,505	123,983	13,522
Operations and maintenance	1,062,831	1,448,464	1,343,143	105,321
Transportation	525,263	527,058	505,814	21,244
Information services	277,878	252,969	241,386	11,583
Community services	33,820	31,968	27,196	4,772
Athletics	255,129	275,599	268,252	7,347
Total expenditures	<u>10,015,457</u>	<u>10,824,483</u>	<u>10,585,352</u>	<u>239,131</u>
Net change in fund balance	(202,509)	132,929	351,261	218,332
Fund balance - beginning of year	<u>2,134,546</u>	<u>2,134,546</u>	<u>2,134,546</u>	<u>0</u>
Fund balance - end of year	<u>\$ 1,932,037</u>	<u>\$ 2,267,475</u>	<u>\$ 2,485,807</u>	<u>\$ 218,332</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>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Reporting unit's proportion of net pension liability (%)	0.04184 %	0.04288 %	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	\$ 13,543,289	\$ 16,127,935	\$ 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*	\$ 4,056,416	\$ 4,144,370	\$ 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	29.95148 %	25.69684 %	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)	65.91000 %	60.77000 %	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.

**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>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contributions	\$ 1,613,590	\$ 1,859,679	\$ 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>1,613,590</u>	<u>1,859,679</u>	<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>	<u>\$ 0</u>	<u>\$ 0</u>
Reporting unit's covered-employee payroll**	\$ 4,107,389	\$ 4,031,475	\$ 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	39.29 %	46.13 %	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.

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

	<u><b>2023</b></u>	<u><b>2022</b></u>	<u><b>2021</b></u>	<u><b>2020</b></u>	<u><b>2019</b></u>	<u><b>2018</b></u>	<u><b>2017</b></u>
Reporting unit's proportion of net OPEB (asset) liability (%)	0.04088 %	0.04290 %	0.04303 %	0.04218 %	0.04157 %	0.04305 %	0.04343 %
Reporting unit's proportionate share of net OPEB (asset) liability	\$ (231,230)	\$ 908,594	\$ 656,746	\$ 2,259,884	\$ 2,984,022	\$ 3,422,415	\$ 3,845,669
Reporting unit's covered-employee payroll*	\$ 4,056,416	\$ 4,144,370	\$ 3,856,145	\$ 3,718,723	\$ 3,617,273	\$ 3,671,909	\$ 3,646,940
Reporting unit's proportionate share of net OPEB (asset) liability as a percentage of its covered-employee payroll	(1,754.27756)%	456.13002 %	587.15927 %	164.55371 %	121.22139 %	107.29000 %	94.83239 %
Plan fiduciary net position as a percentage of total OPEB liability (Non-university employers)	105.04000 %	83.09000 %	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>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contributions	\$ 296,976	\$ 280,111	\$ 292,601	\$ 289,304	\$ 281,170	\$ 272,064	\$ 297,009
Contributions in relation to statutorily required contributions*	<u>296,976</u>	<u>280,111</u>	<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>	<u>\$ 0</u>	<u>\$ 0</u>
Reporting unit's covered-employee payroll**	\$ 4,107,389	\$ 4,031,475	\$ 3,998,675	\$ 3,750,026	\$ 3,731,289	\$ 3,601,912	\$ 3,671,010
Contributions as a percentage of covered-employee payroll	7.23 %	6.95 %	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, 2024

**NOTE 1 - PENSION INFORMATION**

**Changes of benefit terms:** There were no changes of benefit terms in 2023.

**Changes of assumptions:** The assumptions changes for 2023 were:

- ◆ Mortality assumptions were updated to the Pub-2010 Male and Female Retiree Mortality Tables from the RP-2014 Male and Female Healthy Annuitant table.

**NOTE 2 - OPEB INFORMATION**

**Changes of benefit terms:** There were no changes of benefit terms in 2023.

**Changes of assumptions:** The assumptions changes for 2023 were:

- ◆ Healthcare cost trend rate
  - Pre 65 decreased to 7.50% for year one graded to 3.50% for year fifteen from 7.75% for year one graded to 3.50% for year fifteen.
  - Post 65 increased to 6.25% for year one and graded to 3.5% for year fifteen from 5.25% for year one and graded to 3.5% for year fifteen
- ◆ Mortality assumptions were updated to the Pub-2010 Male and Female Retiree Mortality Tables from the RP-2014 Male and Female Healthy Annuitant table.

REESE PUBLIC SCHOOLS  
 Other Supplemental Information  
 Combining Balance Sheet  
 Nonmajor Governmental Funds  
June 30, 2024

	Special Revenue Funds		
	Food Service	Student/ School Activities	Total
<u>Assets</u>			
Cash and investments	\$ 341,710	\$ 358,104	\$ 699,814
Receivables - net:			
Due from other funds	414	0	414
Due from other governmental units	37,495	0	37,495
Prepaid expenditures	45,000	0	45,000
Total assets	\$ 424,619	\$ 358,104	\$ 782,723
<u>Liabilities and Fund Balance</u>			
<u>Liabilities</u>			
Accounts payable	\$ 95,880	\$ 0	\$ 95,880
Total liabilities	95,880	0	95,880
<u>Fund Balance</u>			
Non-spendable - prepaids	45,000	0	45,000
Restricted for food service	283,739	0	283,739
Committed for student/school activities	0	358,104	358,104
Total fund balance	328,739	358,104	686,843
	\$ 424,619	\$ 358,104	\$ 782,723

**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, 2024**

	<u>Special Revenue Funds</u>		
	<u>Food Service</u>	<u>Student/ School Activities</u>	<u>Total</u>
<u>Revenues</u>			
Local sources	\$ 50,786	\$ 400,312	\$ 451,098
State sources	194,803	0	194,803
Federal sources	717,356	0	717,356
Total revenues	<u>962,945</u>	<u>400,312</u>	<u>1,363,257</u>
<u>Expenditures</u>			
Current:			
Food services	903,704	0	903,704
Student/school activities	0	391,216	391,216
Total expenditures	<u>903,704</u>	<u>391,216</u>	<u>1,294,920</u>
Net change in fund balance	59,241	9,096	68,337
Fund balance - beginning of year	<u>269,498</u>	<u>349,008</u>	<u>618,506</u>
Fund balance - end of year	<u>\$ 328,739</u>	<u>\$ 358,104</u>	<u>\$ 686,843</u>

**REESE PUBLIC SCHOOLS**  
**Other Supplemental Information**  
**Schedule of Bonded Indebtedness - 2015 Bond Refunding**  
**For the Year Ended June 30, 2024**

<u>PURPOSE</u>	The 2005 bonds were refunded, the original bonds were issued for the purpose of erecting, furnishing and equipping additions to, and partially remodeling, refurbishing and re-equipping the Reese Elementary, Middle and High School buildings, acquiring and installing educational technology, and developing and improving the sites.		
<u>DATE OF ISSUE</u>	March 19, 2015		
<u>INTEREST PAYABLE</u>	May 1 and November 1 of each year		
<u>AMOUNT OF ISSUE</u>			\$ 5,860,000
<u>AMOUNT REDEEMED</u>			
	During prior years	\$ 2,690,000	
	During current year	<u>400,000</u>	<u>3,090,000</u>
<u>BALANCE OUTSTANDING - June 30, 2024</u>			<u>\$ 2,770,000</u>

<u>Fiscal Year</u>	<u>Interest Rate</u>	<u>Requirements</u>		
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 2,770,000</u>	<u>\$ 401,000</u>	<u>\$ 3,171,000</u>



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

October 14, 2024

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, 2024 and the related notes to the financial statements, which collectively comprise Reese Public Schools' basic financial statements and have issued our report thereon dated October 14, 2024.

**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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2024-001 that we consider to be a material weakness.



## **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*.

### **School District's Response to Findings**

Government Auditing Standards requires the auditor to perform limited procedures on Reese Public Schools' response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Reese Public Schools' response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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

*Weinlander Fitzhugh*



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

October 14, 2024

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, 2024. 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 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, 2024.

**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 other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of 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 of 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.



## WEINLANDER FITZHUGH

Certified Public Accountants & Advisors

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, 2024

**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 checked="" type="checkbox"/>	YES	<input 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:

ALN Number(s)  
 10.553, 10.555,  
 10.559

Name of Federal Program or Cluster  
 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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REESE PUBLIC SCHOOLS  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2024

**SECTION II - Financial Statement Findings**

**2024-001**

Criteria or Specific Requirement

During the course of the audit, we identified several misstatements which are material in the aggregate, both in amount and in volume of adjustments needed. We have provided audit adjusting entries to correct these identified misstatements. Material audit adjustments were required to correct unearned revenue, 147c payable, revenues, and expenditures.

Condition

Many misstatements were identified by the auditor.

Context

The finding is the result of audit procedures performed and observation and inquiry with School District administration.

Effect

Budget variances and violations could occur due to inaccurate financial records. Misstatements of the School District's financial statements could go undetected.

Cause

There was turnover in the School District's business office at year-end that, due to the timing of the turnover, caused challenges with the year-end accounting adjustments.

Recommendation

The School District should review the audit entries, understand why they were necessary, and implement controls to ensure that accounts and transactions affected are reviewed closely during the upcoming fiscal year.

Views of the Responsible Officials and Planned Corrective Action

The School District will ensure the new Business Manager has the resources necessary to assume responsibility for the financial reporting process.

**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, 2024

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, 2024**

Federal Grantor Pass Through Grantor <u>Program Title Grant Number</u>	Federal AL Number	Approved Grant Award Amount	(Memo Only) Prior Year Expenditures	Accrued (Unearned) Revenue July 1, 2023	Adjustments and Transfers	Current Year Receipts (Cash Basis)	Current Year Expenditures	Accrued (Unearned) Revenue June 30, 2024
<u>U.S. Department of Agriculture</u>								
Passed through Michigan Department of Education								
Child Nutrition Cluster								
Non-Cash Assistance (Commodities):								
Entitlement Donated Foods	10.555	\$ 40,949	\$ 0	\$ 0	\$ 0	\$ 40,949	\$ 40,949	\$ 0
Entitlement Donated Foods - Bonus		1,146	0	0	0	1,146	1,146	0
			<u>0</u>	<u>0</u>	<u>0</u>	<u>42,095</u>	<u>42,095</u>	<u>0</u>
Cash Assistance:								
School Breakfast Program	10.553							
231970		179,322	144,444	894	0	35,771	34,877	0
241970		184,402	0	0	0	184,402	184,402	0
			<u>144,444</u>	<u>894</u>	<u>0</u>	<u>220,173</u>	<u>219,279</u>	<u>0</u>
National School Lunch Program	10.555							
231960		252,374	201,493	950	0	50,881	49,931	0
231980		801	761	0	0	40	40	0
240910		24,065	0	0	0	24,065	24,065	0
241960		259,094	0	0	0	259,094	259,094	0
241980		2,286	0	0	0	2,286	2,286	0
			<u>202,254</u>	<u>950</u>	<u>0</u>	<u>336,366</u>	<u>335,416</u>	<u>0</u>
Summer Food Service Program for Children	10.559							
230900		102,298	23,421	23,421	0	102,298	78,877	0
240900		33,957	0	0	0	0	33,957	33,957
			<u>23,421</u>	<u>23,421</u>	<u>0</u>	<u>102,298</u>	<u>112,834</u>	<u>33,957</u>
Total Child Nutrition Cluster			<u>370,119</u>	<u>25,265</u>	<u>0</u>	<u>700,932</u>	<u>709,624</u>	<u>33,957</u>
Local Food for Schools	10.185							
230985-2024		5,147	0	0	0	5,147	5,147	0
Child and Adult Food Program	10.558							
231920-2223		2,631	2,362	0	0	269	269	0
241920-2324		2,316	0	0	0	2,316	2,316	0
			<u>2,362</u>	<u>0</u>	<u>0</u>	<u>2,585</u>	<u>2,585</u>	<u>0</u>
Total U.S. Department of Agriculture			<u>372,481</u>	<u>25,265</u>	<u>0</u>	<u>708,664</u>	<u>717,356</u>	<u>33,957</u>

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, 2024**

Federal Grantor Pass Through Grantor <u>Program Title Grant Number</u>	Federal AL Number	Approved Grant Award Amount	(Memo Only) Prior Year Expenditures	Accrued (Unearned) Revenue July 1, 2023	Adjustments and Transfers	Current Year Receipts (Cash Basis)	Current Year Expenditures	Accrued (Unearned) Revenue June 30, 2024
U.S. Department of Education								
Passed through Tuscola Intermediate School District								
Special Education IDEA Cluster Programs:								
IDEA Flowthrough 240450-2324	84.027A	\$ 254,362	\$ 0	\$ 0	\$ 0	\$ 254,362	\$ 254,362	\$ 0
Total Special Education IDEA Cluster			<u>0</u>	<u>0</u>	<u>0</u>	<u>254,362</u>	<u>254,362</u>	<u>0</u>
Passed through Michigan Department of Education								
Title I Part A	84.010							
Title I Grants to Local Educational Agencies (LEAs)								
Project 231530-2223		124,562	122,987	122,987	0	122,987	0	0
Project 241530-2324		121,269	0	0	0	0	118,999	118,999
			<u>122,987</u>	<u>122,987</u>	<u>0</u>	<u>122,987</u>	<u>118,999</u>	<u>118,999</u>
Title I Part C	84.010							
Migrant Education State Grant Program								
Project 231830-2223		101,695	5,426	5,426	0	92,879	87,453	0
Project 241830-2324		100,911	0	0	0	0	4,461	4,461
			<u>5,426</u>	<u>5,426</u>	<u>0</u>	<u>92,879</u>	<u>91,914</u>	<u>4,461</u>
Title II Part A	84.367							
Improving Teacher Quality State Grants								
Project 230520-2223		20,707	20,464	20,464	0	20,464	0	0
Project 240520-2324		19,875	0	0	0	18,766	18,766	0
			<u>20,464</u>	<u>20,464</u>	<u>0</u>	<u>39,230</u>	<u>18,766</u>	<u>0</u>
Title IV Part A	84.424							
Student Support and Academic Enrichment								
Project 240750-2324		10,000	0	0	0	10,000	10,000	0

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, 2024**

Federal Grantor Pass Through Grantor <u>Program Title Grant Number</u>	Federal AL Number	Approved Grant Award Amount	(Memo Only) Prior Year Expenditures	Accrued (Unearned) Revenue July 1, 2023	Adjustments and Transfers	Current Year Receipts (Cash Basis)	Current Year Expenditures	Accrued (Unearned) Revenue June 30, 2024
Passed through Michigan Department of Education Education Stabilization Fund COVID-19 Elementary and Secondary School Emergency Relief Funds ESSER II Discretionary 23b(2b) Credit Recovery	84.425D	\$ 15,950	\$ 11,482	\$ 1,285	\$ 0	\$ 4,735	\$ 3,450	\$ 0
ESSER III Formula Funds	84.425U	868,645	536,201	379,919	0	712,363	332,444	0
ARP Homeless Children & Youth	84.425W	11,231	0	0	0	4,816	4,816	0
			<u>547,683</u>	<u>381,204</u>	<u>0</u>	<u>721,914</u>	<u>340,710</u>	<u>0</u>
Total U. S. Department of Education			<u>696,560</u>	<u>530,081</u>	<u>0</u>	<u>1,241,372</u>	<u>834,751</u>	<u>123,460</u>
<u>U.S. Department of Health and Human Services</u> Passed through Tuscola County Health Department Public Health Emergency Response	93.778	5,000	0	0	0	5,000	5,000	0
Total U.S. Department of Health and Human Services			<u>0</u>	<u>0</u>	<u>0</u>	<u>5,000</u>	<u>5,000</u>	<u>0</u>
			<u>\$ 1,069,041</u>	<u>\$ 555,346</u>	<u>\$ 0</u>	<u>\$ 1,955,036</u>	<u>\$ 1,557,107</u>	<u>\$ 157,417</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, 2024**

**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, 2024. 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, Cash Management System and the Grant Auditor Report in preparing the Schedule of Expenditures of Federal Awards.

**NOTE 3 - RECONCILIATION OF REVENUE REPORTED IN THE FINANCIAL STATEMENTS**

Total federal expenditures per Schedule of Expenditures of Federal Awards	\$ 1,557,107
Add:	
E-rate	4,127
Revenues per financial statements - federal sources	<u>\$ 1,561,234</u>

**Reese Public Schools**  
**PO Box 389**  
**Reese, MI 48757**

Jordan Ackerman, Superintendent  
(989) 868-9864 Fax (989) 868-9570

CORRECTIVE ACTION PLAN  
YEAR ENDED JUNE 30, 2024

Reese Public Schools respectfully submits the following corrective action plan for the year ended June, 30, 2024.

**Auditor:** Weinlander Fitzhugh  
1600 Center Avenue  
Bay City, MI 48708

**Audit Period:** Year ended June 30, 2024

**District Contact Person:** Melissa Spencer, Business Manager

The finding from the June 30, 2024 Schedule of Findings and Questioned Costs and the School District's response is discussed below. The finding is numbered consistently with the number assigned in the schedule.

**Financial Statement Finding**

**Finding 2024-001:** During the course of the audit, the auditor identified several misstatements which are material in the aggregate, both in amount and in volume of adjustments needed. The auditor provided audit adjusting entries to correct these identified misstatements. Material audit adjustments were required to correct unearned revenue, 147c payable, revenues, and expenditures.

**Recommendation:** The School District should review the audit entries, understand why they were necessary, and implement controls to ensure that accounts and transactions affected are reviewed closely during the upcoming fiscal year.

**Action to be taken:** The Business Manager has reviewed the audit adjusting journal entries that were recorded. The Business Manager has discussed the 60 day rule used to recognize revenue with the auditor. In future fiscal years, required year-end adjusting journal entries will be more closely monitored to ensure these entries are properly recorded. The June 30, 2024 fiscal year-end was unique in that the School District's previous long-term Business Manager retired at the end of the fiscal year. The timing of this turnover in the School District's business office at year-end caused challenges with the year-end accounting adjustments.

**Estimated completion date:** Year-end adjusting entries will be reviewed at the end of the current fiscal year June 30, 2025 to ensure required entries are recorded.



October 14, 2024

Board of Education  
Reese Public Schools  
Reese, Michigan

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Reese Public Schools (School District) for the year ended June 30, 2024. Professional standards require that we provide you with information about our responsibilities under U.S. generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 8, 2024. Professional standards also require that we communicate to you the following information related to our audit.

**Significant Audit Matters**

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Reese Public Schools are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2024. We noted no transactions entered into by the School District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Management's estimate of the depreciation is based on estimated useful life of fixed assets. We evaluated the key factors and assumptions used to develop the estimated useful life of fixed assets in determining that it is reasonable in relation to the financial statements taken as a whole.

Estimates have been used to calculate the net pension liability and the net other postemployment benefit liabilities.

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

*Difficulties Encountered in Performing the Audit*

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



## WEINLANDER FITZHUGH

Certified Public Accountants & Advisors

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following material misstatements detected as a result of audit procedures were corrected by management: unearned revenue, 147c payable, revenues and expenditures.

### *Disagreements with Management*

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

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated October 14, 2024.

### *Management Consultations with Other Independent Accountants*

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

### *Other Audit Findings or Issues*

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

Federal register section 7 CFR Part 210.14b requires school districts to limit the Food Service Fund's net resources to an amount that does not exceed three months' average expenditures. The School District's net cash resources exceeded three months of average expenditures at June 30, 2024. This is a result of increased federal funding received by the School District under the Child Nutrition Cluster and through state aid in recent fiscal years. The Michigan Department of Education is requesting the excess food service fund balance no longer be reported as a federal audit finding. We recommend the School District review the Food Service Fund's net cash resources periodically throughout the fiscal year to ensure the fund will not have excess fund balance at fiscal year-end. The School District should take this requirement into consideration when preparing the annual budget and any subsequent adjustments to the budget.



## **WEINLANDER FITZHUGH**

Certified Public Accountants & Advisors

### **Other Matters**

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

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

### **Restriction on Use**

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

Very truly yours,

*Weinlander Fitzhugh*