

REESE PUBLIC SCHOOLS
REESE, MICHIGAN

FINANCIAL STATEMENTS
JUNE 30, 2025



WEINLANDER FITZHUGH
Certified Public Accountants & Advisors

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WEINLANDER FITZHUGH
Certified Public Accountants & Advisors

1600 Center Avenue • PO Box 775 • Bay City, MI 48707-0775
1-800-624-2400 • 989-893-5577 • www.wf.cpa
Bay City • Clare • West Branch

INDEPENDENT AUDITOR'S REPORT

October 27, 2025

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, 2025 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, 2025 and the respective changes in financial position for the year then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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 and schedule of bonded indebtedness are presented for the purpose 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 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 27, 2025, 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, 2025

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, 2025.

Financial Highlights

The School District's net position increased by \$2,412,646 or 98%. Program revenues were \$4,709,462 or 36% of total revenues, and general revenues were \$8,194,361 or 64%.

The General Fund reported a positive fund balance of \$3,012,763. The 2015 Debt Retirement Fund reported a positive fund balance of \$120,920. The Capital Projects Fund - Sinking Fund reported a positive fund balance of \$1,474,611.

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, 2025

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, 2025

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, 2025 and 2024:

Exhibit A	Governmental Activities	
	2025	2024
Assets		
Current and other assets	\$ 7,105,125	\$ 7,490,122
Net OPEB asset	1,681,351	231,230
Capital assets - net of accumulated depreciation	7,770,911	7,917,819
Total assets	16,557,387	15,639,171
Deferred Outflows of Resources		
Related to refunding	27,576	52,081
Related to pensions and OPEB	2,762,791	4,600,318
Total deferred outflows of resources	2,790,367	4,652,399
Liabilities		
Current liabilities	2,172,342	2,155,410
Long-term liabilities	11,092,595	16,278,504
Total liabilities	13,264,937	18,433,914
Deferred Inflows of Resources		
Related to pensions and OPEB	6,141,547	4,329,032
Net Position		
Net investment in capital assets	6,285,984	4,902,395
Restricted	1,966,940	2,949,110
Restricted for net OPEB asset	1,681,351	231,230
Unrestricted	(9,993,005)	(10,554,111)
Total net position	\$ (58,730)	\$ (2,471,376)

The analysis above focuses on net position (see Exhibit A). The School District's net position was \$(58,730) at June 30, 2025. Investment in property and equipment, net of related debt totaling \$6,285,984, 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, 2025

The \$(9,993,005) 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 \$9,751,572 for 2025 and \$13,543,289 for 2024.

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 \$(1,681,351) for 2025 and \$(231,230) for 2024.

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, 2025 and 2024.

Exhibit B	Governmental Activities	
	<u>2025</u>	<u>2024</u>
Revenues		
Program revenue:		
Charges for services	\$ 773,359	\$ 639,693
Grants and categoricals	3,936,103	4,590,238
General revenue:		
Property taxes	1,820,374	1,787,054
State aid	6,148,819	6,278,217
Other	225,168	216,972
Total revenues	<u>12,903,823</u>	<u>13,512,174</u>
Function/Program Expenses		
Instruction	4,930,634	5,680,822
Support services	3,386,116	3,405,407
Community services	36,923	27,196
Food services	866,570	890,163
Athletics	256,883	268,252
Student/school activities	475,973	391,216
Capital outlay	6,204	157,995
Interest on long-term debt	55,241	80,991
Depreciation (unallocated)	465,883	611,318
Bond issuance costs	10,750	0
Total expenses	<u>10,491,177</u>	<u>11,513,360</u>
Change in Net Position	<u>\$ 2,412,646</u>	<u>\$ 1,998,814</u>

REESE PUBLIC SCHOOLS
Management's Discussion and Analysis
For the Year Ended June 30, 2025

As reported in the statement of activities, the cost of all of our governmental activities this year was \$10,491,177. Certain activities were partially funded from those who benefited from the programs, \$773,359, or by the other governments and organizations that subsidized certain programs with grants and categoricals of \$3,936,103. We paid for the remaining "public benefit" portion of our governmental activities with \$1,820,374 in taxes, \$6,148,819 in State aid and with our other revenues, such as interest and entitlements.

The School District had an increase in net position of \$2,412,646. The major reason was due to a decrease in expenses. 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 \$5,374,753, which is below last year's total of \$5,811,028. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2025 and 2024.

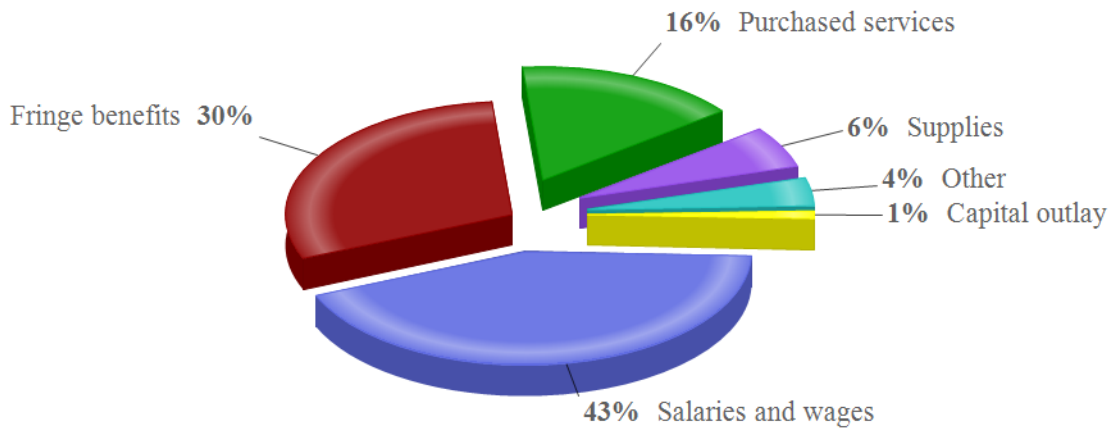
	Fund Balance 6/30/2025	Fund Balance 6/30/2024	Increase (Decrease)
General	\$ 3,012,763	\$ 2,485,807	\$ 526,956
2015 Debt Retirement	120,920	1,307,874	(1,186,954)
Capital Projects Fund - Sinking Fund	1,474,611	1,330,504	144,107
Special Revenue	766,459	686,843	79,616
	\$ 5,374,753	\$ 5,811,028	\$ (436,275)

- Our General Fund increase is attributable to decreased expenditures and increased revenues.
- 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 and a partial defeasance of 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, 2025

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>2025</u>	<u>2024</u>
Salaries and wages	\$ 4,214,144	\$ 4,315,930
Fringe benefits	2,935,104	3,249,666
Purchased services	1,557,988	1,617,662
Supplies	588,723	685,308
Capital outlay	2,628	194,999
Other	467,647	521,787
Total	<u>\$ 9,766,234</u>	<u>\$ 10,585,352</u>

Expenditures have decreased by \$819,118 mainly due to decreased fringe benefits paid and capital outlay expenditures.

REESE PUBLIC SCHOOLS
Management's Discussion and Analysis
For the Year Ended June 30, 2025

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 decreased due to changes in state aid and federal grants received.
- Budgeted expenditures decreased due to staffing changes and decreased support service expenses.
- Actual revenues were more than budgeted amounts by \$183,236 due to local, state and interdistrict revenues increasing.
- Actual expenditures were lower than budgeted amounts by \$240,686 due to not receiving various supplies by year-end, conservative spending and not being able to complete some repairs by year-end.

Capital Assets

At June 30, 2025, the School District had \$7,770,911 invested in a broad range of capital assets, including land, buildings, furniture and equipment. This amount represents a net decrease (including additions and disposals) of 2% from last year.

	2025	2024
Land	\$ 519,823	\$ 519,823
Buildings and improvements	12,819,108	12,513,408
Buses and other vehicles	1,052,598	1,052,598
Furniture and equipment	517,500	504,225
Total capital assets	14,909,029	14,590,054
Less accumulated depreciation	7,138,118	6,672,235
Net capital assets	\$ 7,770,911	\$ 7,917,819

This year's additions of \$318,975 were for digital signs 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, 2025

Debt

At the end of this year, the School District had \$1,355,000 in bonds outstanding versus \$2,770,000 in the previous year - a decrease of 51%.

	<u>2025</u>	<u>2024</u>
2015 Improvement Bonds	<u>\$ 1,355,000</u>	<u>\$ 2,770,000</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 2026 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 2026 fiscal year budget was adopted in June 2025, based on an estimate of students that will be enrolled in September 2025. 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 2025-2026 school year, we anticipate that the fall student count will be close to the estimates used in creating the 2026 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 2025-2026.

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, 2025

	Governmental Activities
Cash and investments	\$ 4,937,260
Receivables - net:	
Due from other governmental units	2,097,015
Accounts receivable	160
Prepaid expense	55,000
Deposits	15,690
Capital assets less accumulated depreciation \$7,138,118	7,770,911
Net OPEB Asset	1,681,351
Total assets	16,557,387
 <u>Deferred Outflows of Resources</u>	
Related to pensions	2,340,197
Related to OPEB	422,594
Loss on bond refunding	27,576
Total deferred outflows of resources	2,790,367
 <u>Liabilities</u>	
Accounts payable	55,416
Unearned revenue	323,512
Accrued interest payable	9,037
Accrued payroll and other liabilities	944,231
State aid anticipation note payable	361,837
Long-term liabilities:	
Due within one year	478,309
Due in more than one year	1,341,023
Net pension liability	9,751,572
Total liabilities	13,264,937
 <u>Deferred Inflows of Resources</u>	
Related to pensions	3,890,934
Related to OPEB	2,250,613
Total deferred inflows of resources	6,141,547
 <u>Net Position</u>	
Net investment in capital assets	6,285,984
Restricted for debt service	111,883
Restricted for capital projects	1,474,611
Restricted for food service	380,446
Restricted for net OPEB asset	1,681,351
Unrestricted	(9,993,005)
Total net position	\$ (58,730)

See accompanying notes to financial statements.

REESE PUBLIC SCHOOLS
Statement of Activities
For the Year Ended June 30, 2025

	Program Revenues			Governmental Activities
Expenses	Charges for Services	Operating Grants/ Contributions	Net (Expense) Revenue and Changes in Net Position	
<u>Functions/Programs</u>				
Primary government -				
Governmental activities:				
Instruction	\$ 4,930,634	\$ 159,683	\$ 2,784,740	\$ (1,986,211)
Support services	3,386,116	0	272,216	(3,113,900)
Community services	36,923	23,180	0	(13,743)
Food services	866,570	31,401	879,147	43,978
Athletics	256,883	59,343	0	(197,540)
Student/school activities	475,973	499,752	0	23,779
Capital outlay	6,204	0	0	(6,204)
Interest on long-term debt	55,241	0	0	(55,241)
Depreciation (unallocated)	465,883	0	0	(465,883)
Bond issuance costs	10,750	0	0	(10,750)
	<u>\$ 10,491,177</u>	<u>\$ 773,359</u>	<u>\$ 3,936,103</u>	<u>(5,781,715)</u>
Total governmental activities				
General revenues:				
Taxes:				
Property taxes, levied for general purposes				1,113,652
Property taxes, levied for capital projects				428,675
Property taxes, levied for debt services				278,047
State aid				6,148,819
Interest and investment earnings				118,599
Gain on extinguishment of debt				72,188
Other				34,381
				<u>8,194,361</u>
Total general revenues				
Change in net position				2,412,646
Net position - beginning of year				<u>(2,471,376)</u>
Net position - end of year				<u>\$ (58,730)</u>

See accompanying notes to financial statements.

REESE PUBLIC SCHOOLS
Governmental Funds
Balance Sheet
June 30, 2025

	General	2015 Debt Retirement	Capital Projects Fund - Sinking Fund	Other Nonmajor Governmental Funds	Total
<u>Assets</u>					
Cash and investments	\$ 2,738,172	\$ 120,920	\$1,474,611	\$ 603,557	\$4,937,260
Receivables - net:					
Due from other funds	0	0	0	67,344	67,344
Due from other governmental units	2,022,001	0	0	75,014	2,097,015
Accounts receivable	0	0	0	160	160
Prepaid expenditures	0	0	0	55,000	55,000
Deposits	15,690	0	0	0	15,690
	<u>\$ 4,775,863</u>	<u>\$ 120,920</u>	<u>\$1,474,611</u>	<u>\$ 801,075</u>	<u>\$7,172,469</u>
<u>Liabilities, Deferred Inflows of Resources and Fund Balance</u>					
<u>Liabilities</u>					
Accounts payable	\$ 20,800	\$ 0	\$ 0	\$ 34,616	\$ 55,416
Due to other funds	67,344	0	0	0	67,344
Unearned revenue	323,512	0	0	0	323,512
Accrued payroll and other liabilities	944,231	0	0	0	944,231
State aid anticipation note payable	361,837	0	0	0	361,837
	<u>1,717,724</u>	<u>0</u>	<u>0</u>	<u>34,616</u>	<u>1,752,340</u>
<u>Deferred Inflows of Resources</u>					
Unavailable revenue	45,376	0	0	0	45,376
<u>Fund Balance</u>					
Nonspendable - prepaid	0	0	0	55,000	55,000
Restricted for debt service	0	120,920	0	0	120,920
Restricted for capital projects	0	0	1,474,611	0	1,474,611
Restricted for food service	0	0	0	325,446	325,446
Committed for student/school activities	0	0	0	386,013	386,013
Unassigned	3,012,763	0	0	0	3,012,763
	<u>3,012,763</u>	<u>120,920</u>	<u>1,474,611</u>	<u>766,459</u>	<u>5,374,753</u>
Total liabilities, deferred outflows of resources and fund balance	<u>\$ 4,775,863</u>	<u>\$ 120,920</u>	<u>\$1,474,611</u>	<u>\$ 801,075</u>	<u>\$7,172,469</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, 2025

Total fund balance - governmental funds	\$ 5,374,753
<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	1,681,351
<p>Capital assets used in governmental activities are not financial resources and are not reported in the funds</p>	
Cost of the capital assets	14,909,029
Accumulated depreciation	(7,138,118)
<p>Deferred outflows used in governmental activities are not financial resources and therefore are not reported in governmental funds:</p>	
Related to pensions	2,340,197
Related to OPEB	422,594
Loss on bond refunding	27,576
<p>Long-term liabilities are not due and payable in the current period and are not reported in the funds:</p>	
Bonds payable	(1,355,000)
Compensated absences	(334,405)
Unamortized debt premium	(129,927)
Net pension liability	(9,751,572)
Accrued interest payable is included as a liability in governmental activities	(9,037)
Unavailable revenue from other governmental units June 30, 2025 and collected after September 1, 2025	45,376
<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	(3,890,934)
Related to OPEB	(2,250,613)
Total net position - governmental activities	\$ (58,730)

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, 2025

	General	2015 Debt Retirement	Capital Project Fund - Sinking Fund	Other Nonmajor Governmental Funds	Total
Revenues					
Local sources	\$ 1,288,696	\$ 308,251	\$ 469,285	\$ 543,012	\$ 2,609,244
State sources	8,348,079	38,069	0	170,280	8,556,428
Federal sources	494,440	0	0	708,867	1,203,307
Interdistrict and other sources	161,975	0	0	0	161,975
Total revenues	<u>10,293,190</u>	<u>346,320</u>	<u>469,285</u>	<u>1,422,159</u>	<u>12,530,954</u>
Expenditures					
Current:					
Instruction	5,744,963	0	0	0	5,744,963
Support services	3,727,465	0	0	0	3,727,465
Community services	36,923	0	0	0	36,923
Capital outlay	0	0	325,178	0	325,178
Athletics	256,883	0	0	0	256,883
Food services	0	0	0	866,570	866,570
Student/school activities	0	0	0	475,973	475,973
Principal	0	415,000	0	0	415,000
Interest and other	0	90,800	0	0	90,800
Total expenditures	<u>9,766,234</u>	<u>505,800</u>	<u>325,178</u>	<u>1,342,543</u>	<u>11,939,755</u>
Other Financing Sources (Uses)					
Bond defeasance issuance costs	0	(10,750)	0	0	(10,750)
Payment to escrow fund	0	(1,016,724)	0	0	(1,016,724)
Total other financing sources (uses)	<u>0</u>	<u>(1,027,474)</u>	<u>0</u>	<u>0</u>	<u>(1,027,474)</u>
Net change in fund balance	526,956	(1,186,954)	144,107	79,616	(436,275)
Fund balance - beginning of year	<u>2,485,807</u>	<u>1,307,874</u>	<u>1,330,504</u>	<u>686,843</u>	<u>5,811,028</u>
Fund balance - end of year	<u>\$ 3,012,763</u>	<u>\$ 120,920</u>	<u>\$ 1,474,611</u>	<u>\$ 766,459</u>	<u>\$ 5,374,753</u>

See accompanying notes to financial statements.

REESE PUBLIC SCHOOLS
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balance of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2025

Net change in fund balance - total governmental funds	\$ (436,275)
<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	(465,883)
Capital outlay	318,975
<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>	
Repayment of bonds	1,415,000
Gain on extinguishment of debt	72,188
Amortization of bond premium	43,309
Amortization of loss on refunding	(24,505)
<p>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</p>	(156,305)
<p>Decreases in accrued interest are reported as an addition in expenditures on the Statement of Activities</p>	8,970
<p>Unavailable revenue from other governmental units June 30, 2025 and collected after September 1, 2025</p>	45,376
<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	904,791
OPEB related items	687,005
	687,005
Change in net position of governmental activities	\$ 2,412,646

See accompanying notes to financial statements.

REESE PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2025

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, 2025

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, 2025

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 District recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled during or upon separation from employment. The liability for compensated absences is reported as incurred in the government-wide financial statements. The liability for compensated absences includes salary and related benefits, where applicable.

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, 2025

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.

REESE PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows and Inflows of Resources

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

Deferred Inflows - In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. For district-wide financial statements, the School District reports deferred inflows of resources related to pensions and other postemployment benefits. There is a deferred inflow present for the result of a difference between what the plan expected to experience and what was actually experienced. This amount will be amortized over the next four years and included in pension and other postemployment benefits expense. There is also a deferred inflow for the 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. There is also a deferred inflow for changes in proportion and differences between employer contributions and proportionate share of contributions. This amount will be amortized over the next six years and included in pension and other postemployment benefits expense. 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.

REESE PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2025, 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, 2025, the foundation allowance was based on the average pupil membership counts taken in February 2024 and September 2024.

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 2024 - August 2025. The local revenue is recognized as outlined in Note 1. Amounts receivable from the State of Michigan at June 30, 2025 relating to state aid is \$1,472,386.

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

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

NOTE 2 - BUDGETS

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

REESE PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2025

NOTE 2 - BUDGETS (CONTINUED)

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

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

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

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

NOTE 3 - CASH AND INVESTMENTS

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

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

REESE PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2025

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

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

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

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

	Primary Government
Cash and cash equivalents	\$ 4,937,260

As of June 30, 2025 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, 2025, \$4,802,324 of the School District's bank balance of \$5,427,607 was exposed to custodial credit risk because it was uninsured and uncollateralized.

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

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

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

Investment type	Fair value	Weighted average maturity (years)
MILAF External Investment Pool - CMC	\$ 125,283	N/A

REESE PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2025

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

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

<u>Investment type</u>	<u>Fair value</u>	<u>Rating</u>	<u>Rating Agency</u>
MILAF External Investment Pool - CMC	\$ <u>125,283</u>	AAAm	Standard & Poor's

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

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

- Level 1: Quoted prices in active markets for identical securities.
- Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include prices for similar securities, interest rates, prepayment speeds, credit risk and others.
- Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used. Unobservable inputs reflect the School District's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

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

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

REESE PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2025

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

	Amortized Cost
MILAF External Investment pool - CMC	\$ 125,283

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

NOTE 4 - CAPITAL ASSETS

A summary of changes in governmental capital assets follows:

	Balance June 30, 2024	Additions	Disposals and Adjustments	Balance June 30, 2025
Assets not being depreciated:				
Land	\$ 519,823	\$ 0	\$ 0	\$ 519,823
Capital assets being depreciated:				
Buildings and improvements	12,513,408	305,700	0	12,819,108
Buses and other vehicles	1,052,598	0	0	1,052,598
Furniture and equipment	504,225	13,275	0	517,500
Subtotal	14,070,231	318,975	0	14,389,206
Accumulated depreciation:				
Buildings and improvements	5,786,363	341,886	0	6,128,249
Buses and other vehicles	640,321	90,196	0	730,517
Furniture and equipment	245,551	33,801	0	279,352
Subtotal	6,672,235	465,883	0	7,138,118
Net capital assets being depreciated	7,397,996	(146,908)	0	7,251,088
Net capital assets	\$ 7,917,819	\$ (146,908)	\$ 0	\$ 7,770,911

Depreciation expense for fiscal year ended June 30, 2025 was \$465,883. The School District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

REESE PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2025

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

A summary of interfund receivable and payable balances at June 30, 2025 are as follows:

		<u>Payables</u>
		<u>General</u>
	Receivables Food Service	<u>\$ 67,344</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.

NOTE 6 - RECEIVABLES

Receivables at June 30, 2025 consist of accounts (fees), intergovernmental grants and interest.

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

State aid and grants	\$ 1,472,386
Federal grants	459,576
ISD	<u>165,053</u>
	<u>\$ 2,097,015</u>

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 \$323,512.

REESE PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2025

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, 2025, the School District has issued a state aid anticipation note payable in the amount of \$300,000, which has an interest rate of 3.33% and matures on July 21, 2025, and a state aid anticipation note payable in the amount of \$300,000, which has an interest rate of 3.31% and matures on August 20, 2025. 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, 2025 is as follows:

	Beginning Balance	Issued	Redeemed	Ending Balance
2023 A-1 Note	\$ 82,545	\$ 0	\$ 82,545	\$ 0
2023 A-2 Note	300,000	0	300,000	0
2024 A-1 Note	0	300,000	238,163	61,837
2024 A-2 Note	0	300,000	0	300,000
	\$ 382,545	\$ 600,000	\$ 620,708	\$ 361,837

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, 2025:

	Balance June 30, 2024	Additions	Retirements and Payments	Balance June 30, 2025	Amount Due Within One Year
General obligation bonds	\$ 3,015,424	\$ 0	\$ 1,530,497	\$ 1,484,927	\$ 478,309
Compensated absences*	178,100	156,305	0	334,405	0
	\$ 3,193,524	\$ 156,305	\$ 1,530,497	\$ 1,819,332	\$ 478,309

*The change in compensated absences is presented as a net change from prior year with no restatement of the previous balance since the implementation of GASB 101 was not a material impact at the government-wide statements.

REESE PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2025

NOTE 9 - LONG-TERM OBLIGATIONS (CONTINUED)

Long-term obligations at June 30, 2025 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%	\$	1,355,000
Bond premium		129,927
Total bonded debt	\$	1,484,927

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, 2025, the amount of \$334,405 has been recorded in the district-wide financial statements.

The School District partially defeased outstanding debt related to the 2015 Refunding Bonds listed below by placing funds from the 2015 Debt Retirement Fund in an irrevocable trust to provide for the future debt service payments on the callable portions of the old debt. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the School District's basic financial statements.

	As of June 30, 2025 the amount of debt considered defeased
2015 Refunding Bonds	\$ 1,016,724

The annual debt service requirements on long-term debt as of June 30, 2025, including interest payments are as follows:

<u>Year Ended June 30</u>	General Obligation Bonds		
	Principal	Interest	Total
2026	\$ 435,000	\$ 54,200	\$ 489,200
2027	450,000	36,800	486,800
2028	470,000	18,800	488,800
	\$ 1,355,000	\$ 109,800	\$ 1,464,800

REESE PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2025

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.

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

REESE PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2025

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.

REESE PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2025

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.

REESE PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2025

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.

Pension Reform of 2023

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

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.

REESE PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2025

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

Retiree Healthcare Reform of 2012

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

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

Regular Retirement (no reduction factor for age)

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

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

Member Contributions

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

Employer Contributions

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

REESE PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2025

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

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, 2024 were determined as of the September 30, 2021 actuarial valuations. The pension and OPEB benefits, the unfunded (overfunded) actuarial accrued liabilities as of September 30, 2021, are amortized over a 15-year period beginning October 1, 2023 and ending September 30, 2038.

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

	Pension	Other Postemployment Benefit
October 1, 2024 - September 30, 2025	20.96% - 30.11%	0.00% - 1.25%
October 1, 2023 - September 30, 2024	13.09% - 23.03%	7.06% - 8.31%

The School District's pension contributions for the year ended June 30, 2025 were equal to the required contribution total. Total pension contributions were approximately \$1,635,000. Of the total pension contributions approximately \$1,439,000 was contributed to fund the Defined Benefit Plan and approximately \$196,000 was contributed to fund the Defined Contribution Plan.

The School District's OPEB contributions for the year ended June 30, 2025 were equal to the required contribution total. Total OPEB contributions were approximately \$116,000. Of the total OPEB contributions approximately \$108,000 was contributed to fund the Defined Benefit Plan and approximately \$8,000 was contributed to fund the Defined Contribution Plan.

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

REESE PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2025

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, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2023 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, 2024	September 30, 2023
Total Pension Liability	\$ 95,765,499,515	\$ 94,947,828,557
Plan Fiduciary Net Position	\$ 71,283,482,728	\$ 62,581,762,238
Net Pension Liability	\$ 24,482,016,787	\$ 32,366,066,319
Proportionate share	0.03983 %	0.04184 %
Net Pension liability for the School District	\$ 9,751,572	\$ 13,543,289

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

For the year ended June 30, 2025, the School District recognized pension expense of approximately \$1,062,000.

REESE PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2025

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

At June 30, 2025, 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	\$ 264,567	\$ (105,952)
Net difference between projected and actual earnings on pension plan investments	0	(1,861,012)
Changes in assumptions	1,016,659	(714,482)
Changes in proportion and differences between employer contributions and proportionate share of contributions	52,169	(688,182)
Unearned revenue related to pension portion of section 147 c	0	(521,306)
School District's contributions subsequent to the measurement date	<u>1,006,802</u>	<u>0</u>
Total	<u>\$ 2,340,197</u>	<u>\$ (3,890,934)</u>

\$1,006,802, reported as deferred outflows of resources related to pensions resulting from School District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

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

Year Ended June 30	<u>Amount</u>
2026	\$ (475,714)
2027	(144,801)
2028	(864,789)
2029	(550,929)
	<u>\$ (2,036,233)</u>

REESE PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2025

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, 2024, and the total OPEB liability used to calculate the net OPEB (asset) liability was determined by an actuarial valuation date of September 30, 2023 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, 2024	September 30, 2023
Total OPEB Liability	\$ 9,991,545,923	\$ 11,223,648,949
Plan Fiduciary Net Position	\$ 14,295,943,589	\$ 11,789,347,341
Net OPEB (Asset) Liability	\$ (4,304,397,666)	\$ (565,698,392)
Proportionate share	0.03906 %	0.04088 %
Net OPEB (Asset) Liability for the School District	\$ (1,681,351)	\$ (231,230)

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

For the year ended June 30, 2025, the School District recognized OPEB expense of approximately \$(517,000).

REESE PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2025

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

At June 30, 2025, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred (Inflows) of Resources</u>
Difference between expected and actual experience	\$ 0	\$ (1,781,719)
Net difference between projected and actual plan investments	0	(318,299)
Changes in assumption	367,231	(42,210)
Changes in proportion and differences between employer contributions and proportionate share of contributions	32,680	(108,385)
School District's contributions subsequent to the measurement date	<u>22,683</u>	<u>0</u>
Total	<u>\$ 422,594</u>	<u>\$ (2,250,613)</u>

\$22,683, 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:

Year Ended June 30	Amount
2026	\$ (580,270)
2027	(359,458)
2028	(362,446)
2029	(330,861)
2030	(183,511)
Thereafter	(34,156)
	<u>\$ (1,850,702)</u>

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, 2025

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, 2024. 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, 7.14% for year one and graded to 3.5% for year fifteen. Post 65, 6.50% 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, 2025

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, 2024 and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Investment Category	Target Allocation*	Long-Term Expected Real Rate of Return*
Domestic Equity Pools	25.0%	5.3%
Private Equity Pools	16.0%	9.0%
International Equity Pools	15.0%	6.5%
Fixed Income Pools	13.0%	2.2%
Real Estate and Infrastructure Pools	10.0%	7.1%
Absolute Return Pools	9.0%	5.2%
Real Return/Opportunistic Pools	10.0%	6.9%
Short Term Investment Pools	2.0%	1.4%
Total	100.0%	

*Long term rate of return are net of administrative expenses and 2.3% inflation.

Rate of return - For fiscal year ended September 30, 2024, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was 15.47% and 15.45% 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.

REESE PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2025

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:

	Pension		
	1% Decrease	Discount Rate	1% Increase
School District's proportionate share of the net pension liability	<u>\$14,295,909</u>	<u>\$9,751,572</u>	<u>\$5,967,537</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:

	Other postemployment benefit		
	1% Decrease	Discount Rate	1% Increase
School District's proportionate share of the net OPEB (asset) liability	<u>\$(1,299,362)</u>	<u>\$(1,681,351)</u>	<u>\$(2,011,621)</u>

REESE PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2025

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:

	Other postemployment benefit		
	1% Decrease	Current Healthcare cost trend rates	1% Increase
School District's proportionate share of the net OPEB (asset) liability	<u>\$(2,011,625)</u>	<u>\$(1,681,351)</u>	<u>\$(1,327,135)</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 81% 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, 2025

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, 2025.

For this fund, the School District has complied with the applicable provisions of Section 1212 of the Revised School Code.

NOTE 15 - RELATED PARTY TRANSACTION

The School District incurred construction expenditures from a company owned by the spouse of a member of the Board of Education in the amount of \$8,791 and automotive repairs from a company owned by a member of the Board of Education in the amount of \$37 for the year ended June 30, 2025.

NOTE 16 - CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2025, the School District implemented the following new pronouncement:

GASB Statement No. 101, *Compensated Absences*.

Summary:

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 implementation of GASB Statement No. 101, *Compensated Absences* did not materially affect the beginning compensated absences balance. The beginning compensated absences balance has not been restated as a result of implementing GASB Statement No. 101, *Compensated Absences*.

NOTE 17 - 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 under this program were approximately \$29,070.

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, 2025

NOTE 18 - UPCOMING ACCOUNTING PRONOUNCEMENT

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;
 - 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
Notes to Financial Statements
For the Year Ended June 30, 2025

NOTE 18 - UPCOMING ACCOUNTING PRONOUNCEMENT (CONTINUED)

In September 2024, the GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement No. 34. Lease assets recognized in accordance with Statement No. 87, *Leases*, and intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, should be disclosed separately by major class of underlying asset in the capital assets note disclosures. Subscription asset recognized in accordance with Statement No. 96, *Subscription-based Information Technology Arrangements*, also should be separately disclosed. In addition, this Statement requires additional disclosures for capital assets held for sale. 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, 2025

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Favorable (Unfavorable)
<u>Revenues</u>				
Local sources	\$ 1,233,200	\$ 1,275,558	\$ 1,288,696	\$ 13,138
State sources	8,560,167	8,233,185	8,348,079	114,894
Federal sources	583,245	495,786	494,440	(1,346)
Transportation fees	2,000	0	0	0
Interdistrict and other sources	103,000	105,425	161,975	56,550
Total revenues	<u>10,481,612</u>	<u>10,109,954</u>	<u>10,293,190</u>	<u>183,236</u>
<u>Expenditures</u>				
Instruction:				
Basic programs	4,997,107	4,929,359	4,843,964	85,395
Added needs	1,092,188	908,487	900,999	7,488
Support services:				
Pupil	660,064	559,619	561,004	(1,385)
Instructional staff	223,899	222,692	220,012	2,680
General administrative	309,705	364,479	342,068	22,411
School administrative	761,815	754,416	752,991	1,425
Business services	218,112	223,151	205,429	17,722
Operations and maintenance	1,177,001	1,067,348	1,042,519	24,829
Transportation	511,505	440,569	366,190	74,379
Information services	215,073	238,217	237,252	965
Community services	30,874	39,050	36,923	2,127
Athletics	284,269	259,533	256,883	2,650
Total expenditures	<u>10,481,612</u>	<u>10,006,920</u>	<u>9,766,234</u>	<u>240,686</u>
Net change in fund balance	0	103,034	526,956	423,922
Fund balance - beginning of year	<u>2,485,807</u>	<u>2,485,807</u>	<u>2,485,807</u>	<u>0</u>
Fund balance - end of year	<u>\$ 2,485,807</u>	<u>\$ 2,588,841</u>	<u>\$ 3,012,763</u>	<u>\$ 423,922</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>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>
Reporting unit's proportion of net pension liability (%)	0.03983 %	0.04184 %	0.04288 %	0.04253 %	0.04190 %	0.04229 %	0.04340 %	0.04356 %	0.04309 %	0.04282 %
Reporting unit's proportionate share of net pension liability	\$ 9,751,572	\$ 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
Reporting unit's covered-employee payroll*	\$ 4,081,481	\$ 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
Reporting unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	41.85460 %	29.95148 %	25.69684 %	38.29607 %	25.83510 %	25.82573 %	28.14619 %	32.30935 %	33.74984 %	33.81018 %
Plan fiduciary net position as a percentage of total pension liability (Non-university employers)	74.83000 %	65.91000 %	60.77000 %	72.60000 %	59.72000 %	60.31000 %	62.36000 %	64.21000 %	63.27000 %	62.92000 %

* 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>2025</u>	<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>
Statutorily required contributions	\$ 1,438,517	\$ 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
Contributions in relation to statutorily required contributions*	<u>1,438,517</u>	<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>
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**	\$ 4,120,071	\$ 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
Contributions as a percentage of covered-employee payroll	34.91 %	39.29 %	46.13 %	34.87 %	32.59 %	30.15 %	30.57 %	29.55 %	28.02 %	28.18 %

* 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>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Reporting unit's proportion of net OPEB (asset) liability (%)	0.03906 %	0.04088 %	0.04290 %	0.04303 %	0.04218 %	0.04157 %	0.04305 %	0.04343 %
Reporting unit's proportionate share of net OPEB (asset) liability	\$ (1,681,351)	\$ (231,230)	\$ 908,594	\$ 656,746	\$ 2,259,884	\$ 2,984,022	\$ 3,422,415	\$ 3,845,669
Reporting unit's covered-employee payroll*	\$ 4,081,481	\$ 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	(242.75009)%	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)	143.96000 %	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>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contributions	\$ 107,839	\$ 296,976	\$ 280,111	\$ 292,601	\$ 289,304	\$ 281,170	\$ 272,064	\$ 297,009
Contributions in relation to statutorily required contributions*	<u>107,839</u>	<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>	<u>\$ 0</u>
Reporting unit's covered-employee payroll**	\$ 4,120,071	\$ 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	2.62 %	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, 2025

NOTE 1 - PENSION INFORMATION

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

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

- ◆ **2023** - The valuation includes the impact of an updated experience study for periods from 2017 to 2022.
- ◆ **2022** - The discount rate and investment rate of return used in the September 30, 2021 actuarial valuation decreased by .80 percentage points.
- ◆ **2019** - The discount rate used in the September 3, 2018 actuarial valuation decreased by 0.25 percentage points.
- ◆ **2018** - The discount rate used in the September 3, 2017 actuarial valuation decreased by 0.45 percentage points. The valuation also includes the impact of an updated experience study for periods from 2012 to 2017.
- ◆ **2017** - The discount rate used in the September 30, 2016 actuarial valuation decreased by 0.50 percentage points.

NOTE 2 - OPEB INFORMATION

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

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

- ◆ **2024** - The healthcare cost trend rate used in the September 30, 2023 actuarial valuation decreased by 0.25 percentage points for members under 65 and increased by 0.25 percentage point for members over 65.
- ◆ **2023** - The health care cost trend rate used in the September 30, 2022 actuarial valuation decreased by 0.25 percentage points for members under 65 and increased by 1.00 percentage point for members over 65. In addition, actual per person health benefit costs were lower than projected. The valuation includes the impact of an updated experience study for periods from 2017 to 2022.
- ◆ **2022** - The discount rate and investment rate of return used in the September 30, 2021 actuarial valuation decreased by 0.95 percentage points. This resulted in lower than projected per person health benefit costs to reduce the plan's total OPEB liability by an additional \$1.1 billion in 2022.

REESE PUBLIC SCHOOLS
Notes to Required Supplementary Information
For the Year Ended June 30, 2025

NOTE 2 - OPEB INFORMATION (CONTINUED)

- ◆ **2021** - The health care cost trend rate used in the September 30, 2022 actuarial valuation increased by 0.75 percentage points for members under 65 and decreased by 1.75 percentage points for members over 65. In addition, actual per person health benefit costs were lower than projected. This reduced the plan's total OPEB liability by \$1.3 billion in 2021.
- ◆ **2020** - The health care trend rate used in the September 30, 2019 actuarial valuation decreased by 0.50 percentage points and actual per person health benefit costs were lower than projected. This reduced the plan's total OPEB liability by \$1.8 billion in 2020.
- ◆ **2019** - The discount rate used in the September 30, 2018 actuarial valuation decreased by 0.20 percentage points. The valuation also includes the impact of an updated experience study for periods from 2012 to 2017. This resulted in lower than projected per person health benefit costs to reduce the plan's total OPEB liability by an additional \$1.4 billion in 2019.
- ◆ **2018** - The discount rate used in the September 30, 2017 actuarial valuation decreased by 0.35 percentage points. The valuation also includes the impact of an updated experience study for periods from 2012 to 2017. This resulted in lower than projected per person health benefit costs to reduce the plan's total OPEB liability by \$1.4 billion in 2018.

REESE PUBLIC SCHOOLS
Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2025

	Special Revenue Funds		
	Food Service	Student/ School Activities	Total
<u>Assets</u>			
Cash and investments	\$ 217,544	\$ 386,013	\$ 603,557
Receivables - net:			
Due from other funds	67,344	0	67,344
Due from other governmental units	75,014	0	75,014
Accounts receivable	160	0	160
Prepaid expenditures	55,000	0	55,000
Total assets	\$ 415,062	\$ 386,013	\$ 801,075
<u>Liabilities and Fund Balance</u>			
<u>Liabilities</u>			
Accounts payable	\$ 34,616	\$ 0	\$ 34,616
Total liabilities	34,616	0	34,616
<u>Fund Balance</u>			
Non-spendable - prepaids	55,000	0	55,000
Restricted for food service	325,446	0	325,446
Committed for student/school activities	0	386,013	386,013
Total fund balance	380,446	386,013	766,459
	\$ 415,062	\$ 386,013	\$ 801,075

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, 2025

	<u>Special Revenue Funds</u>		
	<u>Food Service</u>	<u>Student/ School Activities</u>	<u>Total</u>
<u>Revenues</u>			
Local sources	\$ 39,130	\$ 503,882	\$ 543,012
State sources	170,280	0	170,280
Federal sources	708,867	0	708,867
Total revenues	<u>918,277</u>	<u>503,882</u>	<u>1,422,159</u>
<u>Expenditures</u>			
Current:			
Food services	866,570	0	866,570
Student/school activities	0	475,973	475,973
Total expenditures	<u>866,570</u>	<u>475,973</u>	<u>1,342,543</u>
Net change in fund balance	51,707	27,909	79,616
Fund balance - beginning of year	<u>328,739</u>	<u>358,104</u>	<u>686,843</u>
Fund balance - end of year	<u>\$ 380,446</u>	<u>\$ 386,013</u>	<u>\$ 766,459</u>

REESE PUBLIC SCHOOLS
Other Supplemental Information
Schedule of Bonded Indebtedness - 2015 Bond Refunding
For the Year Ended June 30, 2025

PURPOSE

The 2005 bonds were refunded, the original bonds were issued for the purpose of erecting, furnishing and equipping additions to, and partially remodeling, refurbishing and re-equipping the Reese Elementary, Middle and High School buildings, acquiring and installing educational technology, and developing and improving the sites.

DATE OF ISSUE

March 19, 2015

INTEREST PAYABLE

May 1 and November 1 of each year

AMOUNT OF ISSUE

\$ 5,860,000

AMOUNT REDEEMED

	During prior years	\$ 3,090,000	
	During current year	<u>1,415,000</u>	<u>4,505,000</u>

BALANCE OUTSTANDING - June 30, 2025

\$ 1,355,000

<u>Fiscal Year</u>	<u>Interest Rate</u>	<u>Requirements</u>		
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	4.00%	\$ 435,000	\$ 54,200	\$ 489,200
2027	4.00%	450,000	36,800	486,800
2028	4.00%	<u>470,000</u>	<u>18,800</u>	<u>488,800</u>
		<u>\$ 1,355,000</u>	<u>\$ 109,800</u>	<u>\$ 1,464,800</u>



October 27, 2025

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, 2025. Professional standards require that we provide you with information about our responsibilities under U.S. generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 9, 2025. 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. As described in Note 16 to the financial statements, Reese Public Schools changed accounting policies related to Compensated Absences by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 101, *Compensated Absences*, in 2025. 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 the 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 (assets).

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. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. The uncorrected misstatements or the matters underlying them could potentially cause future period financial statements to be materially misstated, even though, in our judgment, such uncorrected misstatements are immaterial to the financial statements under audit. The following material misstatements detected as a result of audit procedures were corrected by management: due from other governments, unearned revenue, unavailable revenue, 147c payable, state and federal revenues, expenditures, and partial defeasance of 2015 Refunding Bonds.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 27, 2025.

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, 2025. 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 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

Reese Public Schools
Summary of Passed Proposed Audit Entries
June 30, 2025

	Effect - Increase (Decrease)	
	Change in Net Position	Net Position
<u>Governmental Activities</u>		
<u>Carryover impact from prior years</u>		
Known errors:		
Unrecorded lease receivable	\$ (103,777)	\$ 0
Unrecorded deferred inflow	103,777	0
Compensated absences, as previously stated	(178,100)	0
Restatement of compensated absences in accordance GASB Statement No. 101, <i>Compensated Absences</i>	258,291	0
 <u>Current year misstatements</u>		
Known errors:		
Unrecorded lease receivable	88,002	88,002
Unrecorded deferred inflow	(88,002)	(88,002)
	\$ 80,191	\$ 0
 <u>General Fund</u>		
<u>Carryover impact from prior years</u>		
Known errors:		
Unrecorded lease receivable	\$ (103,777)	\$ 0
Unrecorded deferred inflow	103,777	0
 <u>Current year misstatements</u>		
Known errors:		
Unrecorded lease receivable	88,002	88,002
Unrecorded deferred inflow	(88,002)	(88,002)
	\$ 0	\$ 0