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## INDEPENDENT AUDITOR'S REPORT

To the Board of Education  
Reading Community Schools  
Reading, Michigan

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

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

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

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

### **Auditor's Responsibility**

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

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

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

### **Opinions**

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

### **Other Matters**

#### *Required Supplementary Information*

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

#### *Other Information*

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

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

Board of Education  
Reading Community Schools

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2021, on our consideration of Reading Community Schools' 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 Reading Community Schools' 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 Reading Community Schools' internal control over financial reporting and compliance.

*Bailey, Hodshire & Company, P.C.*

Jonesville, Michigan  
October 22, 2021

Reading Community Schools  
Management's Discussion and Analysis  
Year Ended June 30, 2021

This section of the Reading Community Schools annual financial report represents administration's discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2021, with comparative information for the prior fiscal year.

**Financial Highlights**

- The General Fund had a net increase in fund balance of \$93,808. At the end of the fiscal year, the fund balance for the General Fund was \$565,000 or approximately 9.66% of unrestricted revenues.
- The appropriations for the 2020-21 budget were made in June 2020. At that time, a budget with a yearly deficit of \$169,227 was adopted. The foundation allowance from the state was budgeted at \$8,111 per student, which was the same as the actual foundation allowance. The state and federal governments allocated funds to address the COVID-19 pandemic, which impacted both the revenue and the expenditure figures.
- The District continued to use our voter-approved Sinking Fund to make facility improvements and repairs. Repairs were made to our Elementary boiler system. New fire alarm systems were installed in both the High School and Elementary buildings. The weight room received new tile, new water heaters were installed in both schools along with water line repairs. The process of retrofitting to LED lighting was completed. Tiling and retaining walls were completed at Barre Field.

**Using this Annual Report**

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the District financially as a whole. The government-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 financial statements then proceed to provide an increasingly detailed look at specific financial activities included in the fund financial statements. 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 provide information about the School District's most significant funds - the General Fund and the 2020 Capital Projects Fund. All other funds are presented in one column as non-major funds.

**Reporting the District as a Whole**

**The Statement of Net Position and Statement of Activities** - The government-wide statements report information about the District as a whole using the accrual basis of accounting, which is similar to the accounting used by private-sector corporations. However, the School District's goal is to provide services to our students, not to generate profits as private-sector corporations do. The Statement of Net Position includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The government-wide statements report the District's net position and how it has changed. Net position - the difference between the District's assets and liabilities – is one way to measure the District's financial health or position. Over time, increases or decreases in the District's net position is an indicator of whether its financial condition is improving or deteriorating, respectively. To assess the overall financial health of the District, you need to consider additional non-financial factors such as the changes in the District's property tax base, political conditions at the State Capital, student enrollment growth or decline, birth rates, and facility conditions in arriving at the overall conclusion regarding the overall health of the District.

Reading Community Schools  
Management's Discussion and Analysis  
Year Ended June 30, 2021

In the government-wide financial statements, the District's activities include:

**Governmental Activities** - The District's basic services are considered to be governmental activities, including instruction, support services, and food service. Property taxes and State formula aid finance most of these activities.

The government-wide financial statements can be found on pages 10-11 of this report.

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

**Fund Financial Statements** - The fund financial statements provide detailed information about the most significant funds - not the District as a whole. The fund financial statements begin on page 12 and provide information about the most significant funds. The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual." The District's two types of funds (governmental funds and fiduciary funds) use different accounting practices as further discussed in the notes to the financial statements.

In the fund financial statements, capital assets purchased by cash are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. Future years' debt obligations are not recorded.

**Governmental Funds** - Most of the 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 District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or less financial resources available to spend in the near future to finance the 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.

The basic governmental fund financial statements can be found on pages 12 and 14-15 of this report.

**Fiduciary Funds** - The District is the fiduciary for various student group activities. We exclude these activities from the District's other financial statements because the assets cannot be utilized by the District to finance its operations. The District's fiduciary activities are reported in separate financial statements.

The basic fiduciary fund financial statements can be found on page 17 of this report.

**Additional Information** - The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found on pages 18-38 of this report.

Reading Community Schools  
Management's Discussion and Analysis  
Year Ended June 30, 2021

**Government-Wide Financial Analysis**

The following is a summary of Reading Community Schools' net position as of June 30, 2020 and 2021:

	<u>2020</u>	<u>2021</u>
<b>ASSETS</b>		
Current assets	\$ 5,376,479	\$ 4,462,473
Capital assets	7,253,943	8,589,513
Total assets	<u>\$ 12,630,422</u>	<u>\$ 13,051,986</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension	\$ 3,883,639	\$ 2,738,420
Other postemployment benefits (OPEB)	1,042,751	1,106,299
Total deferred outflows of resources	<u>\$ 4,926,390</u>	<u>\$ 3,844,719</u>
<b>LIABILITIES</b>		
Current liabilities	\$ 2,945,091	\$ 3,297,993
Long-term liabilities:		
Due within one year	354,708	409,708
Due in more than one year:		
Net pension liability	14,578,881	14,596,787
Net OPEB liability	3,146,073	2,243,637
Other amounts	4,389,315	3,976,852
Total liabilities	<u>\$ 25,414,068</u>	<u>\$ 24,524,977</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension	\$ 678,006	\$ 803,080
OPEB	1,278,706	1,861,382
Total deferred inflows of resources	<u>\$ 1,956,712</u>	<u>\$ 2,664,462</u>
<b>NET POSITION</b>		
Net investment in capital assets	\$ 2,519,464	\$ 4,199,684
Restricted	1,966,637	615,979
Unrestricted	<u>(14,300,069)</u>	<u>(15,108,397)</u>
Total net position	<u>\$ (9,813,968)</u>	<u>\$ (10,292,734)</u>

The above analysis focuses on the net position. The change in net position of the School District's governmental activities is discussed below. Net position differs from fund balance and a reconciliation appears on page 13.

A portion of the District's net position (\$4,199,684) reflects its investment in capital assets (i.e. land, buildings, vehicles, and equipment) less any related debt used to acquire those assets that is still outstanding. The District uses these assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the District's net position (\$615,979) represents resources that are subject to external restrictions on how they may be used. In our case, these amounts are restricted for food service, student/school activities, debt service, and capital outlay.

Reading Community Schools  
Management's Discussion and Analysis  
Year Ended June 30, 2021

The following is a summary of the changes in net position for the years ended June 30, 2020 and 2021:

	2020	2021
Program revenues:		
Charges for services	\$ 236,297	\$ 148,244
Operating grants and contributions	754,895	1,426,368
Capital grants and contributions	0	0
General revenues:		
Property taxes	1,622,158	1,684,021
State School Aid	6,013,120	6,032,061
Other	69,746	94,659
Total revenues	\$ 8,696,216	\$ 9,385,353
Functions/Program Expenses:		
Instruction	\$ 4,457,924	\$ 4,428,132
Support services	4,018,379	4,290,679
Community services	22,024	21,827
Food service activities	407,890	542,469
Student/school activities	12,199	34,795
Depreciation - unallocated	343,623	427,218
Interest on long-term debt	47,480	119,599
Total expenses	\$ 9,309,519	\$ 9,864,719
Increase (decrease) in net position	\$ (613,303)	\$ (479,366)

**General Fund Budgeting and Operating Highlights**

- The Board of Education is updated monthly on actual to budgeted figures. They are also informed of all issues that will have an impact on our budget(s) and provided with updates throughout the year of projected net income (loss) for the year with all changes that are known.
- When the Board adopted the 2020-21 budget in June 2020, the projected student count was 700 students. The actual blended count was 689. A state aid foundation allowance of \$8,111 per student was budgeted, and the actual state aid foundation allowance was the same. The decrease of 11 students from what was budgeted negatively affected our budget by \$89,221.
- The General Fund actual revenues were \$7,858,860. That amount is below the amended budget estimate of \$7,965,559 for a variance of \$106,699. The major factor in the variance was the allocation of funds from the federal government for COVID-19 relief. A total of \$76,281 in ESSER II funds was spent in late June. Since it was unknown how much of the funds would be spent before June 30<sup>th</sup>, no amount was added to the budget. Also impacting the budget were the at-risk grant and Title funds that were allocated at amounts greater than what was anticipated. Amounts not spent will be carried over to the 2021-22 school year.
- The actual expenditures of the General Fund were \$7,788,360 which is below the amended budget estimate of \$8,147,602 for a variance of \$359,242. A large portion of this variance can also be contributed to the COVID-19 allocations.
- The General Fund net increase in fund balance for the year was \$93,808.

Reading Community Schools  
Management's Discussion and Analysis  
Year Ended June 30, 2021

**Capital Asset and Debt Administration**

Capital Assets - At the end of fiscal year 2021, Reading Community Schools had \$17,059,346 invested in land and buildings, furniture and equipment, and vehicles. Of this amount, \$8,469,833 in depreciation has been taken over the years. We currently have a net book value of \$8,589,513. Total capital assets consisted of:

	<u>2020</u>	<u>2021</u>
Land	\$ 84,468	\$ 84,468
Buildings and improvements	13,266,923	14,946,131
Site improvements	1,479,353	1,517,953
Furniture and equipment	441,355	486,335
Vehicles	<u>24,459</u>	<u>24,459</u>
Total capital assets	\$ 15,296,558	\$ 17,059,346
Less accumulated depreciation	<u>(8,042,615)</u>	<u>(8,469,833)</u>
Net capital assets	<u>\$ 7,253,943</u>	<u>\$ 8,589,513</u>

Long-Term Debt - At June 30, 2021, Reading Community Schools had \$21,226,984 total long-term debt outstanding which consisted of the following:

	<u>2020</u>	<u>2021</u>
General obligation debts	\$ 4,728,038	\$ 4,373,330
Net pension liability	14,578,881	14,596,787
Net OPEB liability	3,146,073	2,243,637
Compensated absences	<u>15,985</u>	<u>13,230</u>
Total long term debt	<u>\$ 22,468,977</u>	<u>\$ 21,226,984</u>

**Factors Bearing on the District's Future**

- The District had two teachers retire and three teachers resign at the end of 2020-21. The positions were filled with overall approximately the same total pay. Finding bus drivers continues to be a local and nation-wide problem. We have gone to staggered start and end school day to combat the problem. We have had to increase bus driver pay and benefits.
- Our student count continues to decline, which is a trend within the county and state.
- Food Service revenues are at an all-time high. All school breakfast and lunches will continue to be free of charge to all students for the 2021-22 school year.
- The District continues to participate in the Early Middle College program, which allows juniors and seniors to earn college credits while attending high school. Students who complete the program successfully will attend high school for 5 years, with the last full year being primarily (if not all) college credits, allowing them to graduate with up to 30 college credits.
- The District continues to utilize the voter-approved Sinking Fund, which allows the District to continue to improve our facilities to insure an inviting educational atmosphere for our students and also saves General Fund dollars for use in the classroom.
- The District passed a bond in November, 2019, replacing a bond that matured and was paid off. Bond projects began after the COVID-19 shutdown, and were largely completed by the opening of school in September. The projects included in this bond series were the HVAC replacement at the high school, and bathroom renovations at the elementary.
- The District is set to receive ESSER II and ESSER III funding.



Reading Community Schools  
Management's Discussion and Analysis  
Year Ended June 30, 2021

**Requests for Information**

This financial report is designed to provide a general overview of the Reading Community School's finances for our citizens, taxpayers, investors, and all those interested in the District's finances. Questions concerning any of the information provided in this report should be addressed to:

Pamela S. Bassage, Business Manager  
Reading Community Schools  
PO Box 330  
301 Chestnut Street  
Reading, MI 49274

READING COMMUNITY SCHOOLS  
STATEMENT OF NET POSITION  
JUNE 30, 2021

<b>ASSETS</b>	
Cash & Investments	\$ 3,138,860
Accounts Receivable	318
Due from Other Governmental Units	1,304,245
Inventory	4,355
Prepaid Expense	14,695
Capital Assets, Net of Accumulated Depreciation	8,589,513
Total Assets	<u>\$ 13,051,986</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension	\$ 2,738,420
OPEB	1,106,299
Total Deferred Outflows of Resources	<u>\$ 3,844,719</u>
<b>LIABILITIES</b>	
Accounts Payable	\$ 18,044
Salaries & Benefits Payable	607,528
Interest Payable	28,647
Unearned Revenue	93,774
Notes Payable	2,550,000
Long-Term Liabilities:	
Due Within One Year	409,708
Due in More Than One Year:	
Net Pension Liability	14,596,787
Net OPEB Liability	2,243,637
Other Amounts Due In More Than One Year	3,976,852
Total Liabilities	<u>\$ 24,524,977</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension	\$ 803,080
OPEB	1,861,382
Total Deferred Inflows of Resources	<u>\$ 2,664,462</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	\$ 4,199,684
Restricted for:	
Food Service	206,515
Student/School Activities	57,435
Debt Service	125,429
Capital Outlay	226,600
Unrestricted	(15,108,397)
Total Net Position	<u><u>\$ (10,292,734)</u></u>

The accompanying notes are an integral part of these financial statements.

**READING COMMUNITY SCHOOLS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2021**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants &amp; Contributions</u>	
<b>Instruction</b>				
<b>Basic Programs</b>				
GSRP	\$ 83,144	\$ 0	\$ 0	\$ (83,144)
Elementary School	1,705,552	0	139,157	(1,566,395)
Middle School	448,972	0	38,364	(410,608)
High School	1,343,926	0	93,096	(1,250,830)
<b>Added Needs</b>				
Special Education	475,215	0	0	(475,215)
Compensatory Education	367,073	0	197,750	(169,323)
Vocational Education	4,250	0	4,020	(230)
<b>Support Services</b>				
Pupil Services	308,732	0	0	(308,732)
Instructional Staff	484,873	0	149,153	(335,720)
General Administration	271,115	0	0	(271,115)
School Administration	474,765	0	0	(474,765)
Business Services	173,963	0	0	(173,963)
Operation & Maintenance	954,080	22,953	144,965	(786,162)
Pupil Transportation	395,078	9,498	0	(385,580)
Central Services	993,518	0	24,017	(969,501)
Athletic Activities	234,555	33,511	8,050	(192,994)
<b>Community Services</b>				
Community Activities	2,218	0	0	(2,218)
Custody and Care of Children	19,609	14,622	0	(4,987)
Food Service	542,469	16,312	627,796	101,639
Student/School Activities	34,795	51,348	0	16,553
Depreciation - Unallocated	427,218	0	0	(427,218)
Debt Service - Interest and Other Costs	119,599	0	0	(119,599)
<b>Total Governmental Activities</b>	<b>\$ 9,864,719</b>	<b>\$ 148,244</b>	<b>\$ 1,426,368</b>	<b>\$ (8,290,107)</b>

**General Revenues:**

Property Tax, levied for general purposes	\$ 879,242
Property Tax, levied for debt service	501,771
Property Tax, levied for sinking fund	303,008
State School Aid	6,032,061
Investment earnings	13,091
Miscellaneous	81,568
<b>Total General Revenues</b>	<b>\$ 7,810,741</b>
Change in Net Position	\$ (479,366)
Net Position – Beginning	<u>(9,813,368)</u>
Net Position - Ending	<u><u>\$ (10,292,734)</u></u>

The accompanying notes are an integral part of these financial statements.

READING COMMUNITY SCHOOLS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2021

	General Fund	2020 Capital Projects Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash & Investments	\$ 2,512,957	\$ 64,659	\$ 561,244	\$ 3,138,860
Accounts Receivable	0	0	318	318
Due from Other Governmental Units	1,304,245	0	0	1,304,245
Due from Other Funds	83,191	34,600	87,657	205,448
Inventory	0	0	4,355	4,355
Prepaid Expenditures	11,626	0	3,069	14,695
Total Assets	<u>\$ 3,912,019</u>	<u>\$ 99,259</u>	<u>\$ 656,643</u>	<u>\$ 4,667,921</u>
<b>LIABILITIES</b>				
Accounts Payable	\$ 5,723	\$ 9,459	\$ 2,862	\$ 18,044
Due to Other Funds	87,657	63,799	53,992	205,448
Salaries & Benefits Payable	607,528	0	0	607,528
Interest Payable	12,148	0	0	12,148
Unearned Revenue	83,963	0	9,811	93,774
Notes Payable	2,550,000	0	0	2,550,000
Total Liabilities	<u>\$ 3,347,019</u>	<u>\$ 73,258</u>	<u>\$ 66,665</u>	<u>\$ 3,486,942</u>
<b>FUND BALANCES</b>				
Nonspendable	\$ 11,626	\$ 0	\$ 4,355	\$ 15,981
Restricted	0	26,001	528,188	554,189
Committed	0	0	57,435	57,435
Assigned	234,173	0	0	234,173
Unassigned	319,201	0	0	319,201
Total Fund Balances	<u>\$ 565,000</u>	<u>\$ 26,001</u>	<u>\$ 589,978</u>	<u>\$ 1,180,979</u>
Total Liabilities and Fund Balances	<u>\$ 3,912,019</u>	<u>\$ 99,259</u>	<u>\$ 656,643</u>	<u>\$ 4,667,921</u>

The accompanying notes are an integral part of these financial statements.

READING COMMUNITY SCHOOLS  
Reconciliation of Fund Balances on the Balance Sheet  
for Governmental Funds to Net Position of  
Governmental Activities on the Statement of Net Position  
June 30, 2021

Fund Balances - total governmental funds	\$	1,180,979
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		17,059,346
Accumulated depreciation has not been included in the governmental fund financial statements.		(8,469,833)
Bonds payable, installment loans, and capital lease obligations are not due and payable in the current period and, therefore, are not reported in the funds.		(4,373,330)
Interest is accrued on outstanding long-term debt in the government-wide financial statements, whereas in the governmental fund financial statements, an interest expenditure is reported when due.		(16,499)
Compensated absences are accrued in the government-wide financial statements whereas in the governmental fund financial statements, an expenditure is reported when paid.		(13,230)
The liabilities for net pension and net OPEB are not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:		
Deferred Outflows – Pension		2,738,420
Deferred Inflows – Pension		(803,080)
Net Pension Liability		(14,596,787)
Deferred Outflows – OPEB		1,106,299
Deferred Inflows – OPEB		(1,861,382)
Net OPEB Liability		(2,243,637)
Net position of governmental activities	\$	<u><u>(10,292,734)</u></u>

The accompanying notes are an integral part of these financial statements.

READING COMMUNITY SCHOOLS  
STATEMENT OF REVENUE, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2021

	General Fund	2020 Capital Projects Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUE</b>				
Local Sources	\$ 1,046,479	\$ 4,943	\$ 885,323	\$ 1,936,745
State Sources	6,032,061	0	17,426	6,049,487
Federal Sources	780,320	0	610,370	1,390,690
Total Revenue	<u>\$7,858,860</u>	<u>\$ 4,943</u>	<u>\$ 1,513,119</u>	<u>\$ 9,376,922</u>
<b>EXPENDITURES</b>				
<b>Instruction</b>				
Basic Programs				
GSRP	\$ 83,144	\$ 0	\$ 0	\$ 83,144
Elementary	1,705,552	0	0	1,705,552
Middle School	448,972	0	0	448,972
High School	1,343,926	0	0	1,343,926
Added Needs				
Special Education	475,215	0	0	475,215
Compensatory Education	367,073	0	0	367,073
Vocational Education	4,250	0	0	4,250
<b>Support Services</b>				
Pupil Services	308,732	0	0	308,732
Instructional Staff	484,873	0	0	484,873
General Administration	271,115	0	0	271,115
School Administration	474,765	0	0	474,765
Business Services	173,963	0	0	173,963
Operation & Maintenance	852,040	0	0	852,040
Pupil Transportation	395,078	0	0	395,078
Central Services	85,514	0	0	85,514
Athletic Activities	234,555	0	0	234,555
<b>Community Services</b>				
Community Activities	2,218	0	0	2,218
Custody and Care of Children	19,609	0	0	19,609

The accompanying notes are an integral part of these financial statements.

READING COMMUNITY SCHOOLS  
STATEMENT OF REVENUE, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2021  
(continued)

	General Fund	2020 Capital Projects Funds	Other Nonmajor Governmental Funds	Total Governmental Funds
EXPENDITURES (continued)				
Food Service	\$ 0	\$ 0	\$ 542,469	\$ 542,469
Student/School Activities	0	0	34,795	34,795
Debt Service	0	0	463,505	463,505
Sinking Fund-Other	0	0	144	144
Capital Outlay - Depreciable	57,766	1,438,062	266,960	1,762,788
Capital Outlay - Nondepreciable	0	0	102,040	102,040
Total Expenditures	<u>\$7,788,360</u>	<u>\$ 1,438,062</u>	<u>\$ 1,409,913</u>	<u>\$10,636,335</u>
REVENUE OVER (UNDER) EXPENDITURES	<u>\$ 70,500</u>	<u>\$ (1,433,119)</u>	<u>\$ 103,206</u>	<u>\$ (1,259,413)</u>
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	\$ 22,335	\$ 0	\$ 1,590	\$ 23,925
Operating Transfers Out	(1,590)	0	(22,335)	(23,925)
Other Sources	8,431	0	0	8,431
Other Uses	(5,868)	0	0	(5,868)
Total Other Financing Sources (Uses)	<u>\$ 23,308</u>	<u>\$ 0</u>	<u>\$ (20,745)</u>	<u>\$ 2,563</u>
REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	\$ 93,808	\$ (1,433,119)	\$ 82,461	\$ (1,256,850)
FUND BALANCES – Beginning	<u>471,192</u>	<u>1,459,120</u>	<u>507,517</u>	<u>2,437,829</u>
FUND BALANCES – Ending	<u>\$ 565,000</u>	<u>\$ 26,001</u>	<u>\$ 589,978</u>	<u>\$ 1,180,979</u>

The accompanying notes are an integral part of these financial statements.

READING COMMUNITY SCHOOLS  
 Reconciliation of Statement of Revenue, Expenditures  
 and Changes in Fund balances of Governmental Funds  
 to the Statement of Activities  
 For the Year Ended June 30, 2021

Net changes in fund balances - total governmental funds \$ (1,256,850)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Purchase/acquisition of capital assets	1,762,788
Depreciation expense	(427,218)

Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term debt in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term debt in the statement of net position.

Principal payments on long-term debt	350,000
Amortization of bond premiums and discounts	4,708

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Change in net pension liability and related deferred amounts	(1,288,199)
Change in net OPEB liability and related deferred amounts	383,308
Change in accrued interest payable on bonds and notes payable	(10,658)
Change in the accrual for compensated absences	2,755
	2,755

Change in net position of governmental activities	\$ <u>(479,366)</u>
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The accompanying notes are an integral part of these financial statements.



READING COMMUNITY SCHOOLS  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUND  
JUNE 30, 2021

	<u>Custodial Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 20,368
	<u>20,368</u>
<b>NET POSITION</b>	
Restricted for student organizations	\$ 20,368
	<u>20,368</u>

READING COMMUNITY SCHOOLS  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUND  
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Custodial Funds</u>
<b>ADDITIONS</b>	
Student activity income	\$ 55,647
<b>DEDUCTIONS</b>	
Payments made on behalf of student organizations	(72,110)
	<u>(72,110)</u>
<b>CHANGE IN NET POSITION</b>	\$ (16,463)
<b>NET POSITION - Beginning</b>	<u>36,831</u>
<b>NET POSITION - Ending</b>	<u>\$ 20,368</u>

The accompanying notes are an integral part of these financial statements.

READING COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

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

Reading Community Schools is a K-12 public school district with an enrollment of approximately 697 students. The School District operates under a locally elected seven-member Board of Education, and the administrative staff is headed by a superintendent. The School District's boundaries encompass parts of Hillsdale County and Branch County in the State of Michigan.

The accounting policies of Reading Community Schools conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

The following is a summary of significant accounting policies used by Reading Community Schools:

**Reporting Entity**

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards and agencies that are not legally separate from the School District.

Component units are legally separate organizations for which the School District is financially accountable. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves their budget, the issuance of their debt, or the levying of taxes. The School District has no component units.

**Government-Wide and Fund Financial Statements**

Government-Wide Financial Statements - The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. For the most part, the effect of interfund activity has been removed from these statements.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Property taxes, State Aid, and other items not properly included among program revenues are reported as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements - Fund financial statements report detailed information about the School District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

READING COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

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

**Measurement Focus and Basis of Accounting**

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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 to be collected with 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 sixty days of the end of the current fiscal period. Expenditures generally are recorded when the liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Under the modified accrual basis, the property taxes, interest, and grants are considered to be both measurable and available at fiscal year-end. Grants and entitlements received before the eligibility requirements are met are recorded as unearned revenue. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as inventory.

**Financial Statement Presentation**

The School District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain School District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

The School District reports the following major governmental funds:

General Fund - The general fund is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the laws of the State of Michigan.

2020 Capital Projects Fund – This Capital Projects fund is used to account for the sources and uses of the \$2,9400,000 Building and Site Bonds.

Additionally, the School District reports the following fund types:

Special Revenue Funds - Special Revenue funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes (i.e. food service activities and student/school activities).

Capital Projects Fund: Sinking Fund – This Capital Projects fund is used to account for financial resources from the 1.8841-mill tax levy for the upgrade and remodeling of the District's buildings and facilities.

Debt Retirement Funds - Debt Retirement Funds are used to account for the accumulation of resources for and the payment of general long-term principal, interest, and related costs.

READING COMMUNITY SCHOOLS  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2021

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

Fiduciary Funds - Fiduciary Funds account for assets held by the District under a trustee capacity or as an agent on behalf of others. Trust Funds account for assets held by the District under the terms of a formal trust agreement. The Custodial Fund consists of assets held for the benefit of individuals for which the District has neither administrative involvement nor direct financial involvement. In addition, the assets are not derived from the District's provision of goods or services to those individuals. This fund is used to account for assets that the District holds for others in an agency capacity (i.e. student activities). Fiduciary funds are not included in the government-wide statements.

**Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance**

Bank Deposits and Investments - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less. During the fiscal year ended June 30, 2021, investments were limited to an investment pool managed by PFM Asset Management, LLC. Investments in these accounts are stated at cost which approximates market value.

Inventories - Food service inventories are stated at cost. Federal government food commodities inventories are stated at their assigned U.S.D.A. value. All inventories are charged to expenditures when consumed.

Capital Assets - General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$5,000. The School District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings & Improvements	20 - 40 years
Site Improvements	20 years
Furniture & Equipment	5 - 11 years
Vehicles	11 years

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial 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.

READING COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

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

In addition to liabilities, the statement of financial 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.

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

Postemployment Benefits Other Than Pensions – For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Michigan Public School Employees Retirement System (MPSERS) and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Compensated Absences - It is the School District's policy to permit employees to accumulate earned but unused personal days. Personal days are accrued when earned in the government-wide financial statements. A liability is reported in governmental funds only if they have matured, for example, as a result of employee resignation, retirement, or death.

Interfund Balances - On fund financial statements, receivables and payables resulting from short-term interfund loans are reported as "due to/from other funds." These amounts are eliminated on the government-wide statement of net position.

Long-Term Obligations - In the government-wide financial statements, all payables, accrued liabilities and long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the term of the related debt. Debt issuance costs, with the exception of prepaid insurance, are expensed in the current period. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts are reported as other financing uses. Issuance costs are reported as debt retirement expenditures.

Fund Balance – In accordance with Governmental Account Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*, the fund financial statements report the following components of fund balance:

- Nonspendable: Amounts that are not in a spendable form or are legally or contractually required to be maintained intact.
- Restricted: Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose.

READING COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

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

- Committed: Amounts that have been formally set aside by the School Board for use for specific purposes. Commitments are made and can be rescinded only by a resolution of the School Board.
- Assigned: Amounts that are intended to be spent on specific purposes, as expressed by the School Board or by a committee or individual designated by the School Board.
- Unassigned: Amounts that are available for day-to-day operations.

The District considers that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

The District considers restricted funds to be spent first when expenditures are incurred for which both restricted and unrestricted amounts are available.

Interfund Activity - Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

Budgetary Information - The budgetary process is prescribed by provisions of the State of Michigan Budget Act and entails the preparation of budgetary documents within an established timetable. The legal level of budgetary control has been established by the Board of Education at the function level. Any budgetary modifications may only be made by resolution of the Board of Education. All annual appropriations lapse at fiscal year end.

The School District follows these procedures in establishing the budgets for the individual funds as reflected in the financial statements:

- 1) Prior to June 30, the Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1.
- 2) A public hearing is conducted during June to obtain taxpayer comments.
- 3) Prior to June 30, the budget is legally enacted through passage of a resolution.
- 4) For purposes of meeting emergency needs of the School District, transfer of appropriations may be made by the authorization of the Superintendent. Such transfers appropriations must be approved by the Board of Education at its next regularly scheduled meeting.
- 5) The School Superintendent is charged with general supervision of the budget and shall hold the department heads responsible for performance of their responsibilities.
- 6) During the year the budget is monitored, and amendments to the budget resolution are made when deemed necessary.

During the year, the District incurred expenditures which were in excess of the amounts appropriated as section in the Budgetary Comparison Schedule on page 39.

READING COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)**

**Sinking Fund**

In accordance with 1212(1) of the Michigan School Code, the District received voter approval in May, 2015, to levy a tax of 1.9 mills (maximum) for five years, for the purpose of creating a sinking fund for the upgrade and remodeling of the buildings and facilities. In our opinion, the District is in compliance with the provisions of Section 1212(1) of the Michigan School Code.

**Bonded Construction Fund**

The 2020 Capital Projects Fund includes capital project activities funded with bonds issued after May 1, 1994. In our opinion, for this capital project, the District has complied with the applicable provisions of Section 1351(a) of the Revised School Code. The projects for which the 2020 Building & Site Bonds were issued were still in process as of June 30, 2021. The cumulative expenditures recognized for the year were \$1,438,062.

**NOTE 3 - DEPOSITS AND INVESTMENTS**

State law authorizes the District to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan. As of June 30, 2021, the District's deposit and investments are in accordance with statutory authority.

The District uses financial institutions for cash purposes. The accounts maintained in the financial institutions are checking, savings, and certificates of deposit. The interest rates of the checking and savings accounts are at variable daily rates. For investment purposes, the District uses a pooled investment account.

The District's bank deposits at June 30, 2021, were as follows:

	Governmental Activities	Fiduciary Funds	Total Government
Checking accounts	\$ 170,524	\$ 20,368	\$ 190,892
Savings accounts	2,830,317	0	2,830,317
	<u>\$ 3,000,841</u>	<u>\$ 20,368</u>	<u>\$ 3,021,209</u>

The District had the following investments at June 30, 2021:

	Fair Value	Weighted Average Maturity (Years)	Standard & Poor's Rating	% of Total
Michigan Liquid Asset Fund Plus	\$ 137,919	0.0027	AAAm	100%

One day maturity equals 0.0027, one year equals 1.00

READING COMMUNITY SCHOOLS  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2021

**NOTE 3 - DEPOSITS AND INVESTMENTS (continued)**

The District's deposits and investments are subject to several types of risk, which are examined in more detail as follows:

*Interest Rate Risk* - In accordance with its investment policy, the District minimizes interest rate risk, which is the risk that market value of securities in the portfolio will fall due to changes in the 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 by limiting the average maturity in accordance with the District's cash requirements.

*Credit Risk* - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District minimizes credit risk by limiting investments to the types of securities allowed by State law. The District's investment policy puts no further limits on its investment choices.

*Concentration of Credit Risk* - The District minimizes concentration of credit risk, which is the risk of loss attributed to magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

*Custodial Credit Risk (Deposits)* - In the case of deposits, this is the risk that in the event of a financial institution failure, the District's deposits may not be recovered. As of June 30, 2021, \$2,732,626 of the District's bank balance of \$3,234,573 was exposed to custodial credit risk because it was uninsured. The District believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the District evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution. Only those institutions with an acceptable estimated risk level are used as depositories.

*Foreign Currency Risk* - The District is not authorized to invest in investments which have this type of risk.

**NOTE 4 - RECEIVABLES**

Receivables at June 30, 2021, consist of property taxes and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of property taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of receivables follows:

State Aid	\$	1,180,841
Federal Grants		123,404
		1,304,245
Total	\$	1,304,245

Governmental funds report unearned revenue in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the components of unearned revenue are as follows:

Unearned Revenue:

General Fund	\$	83,963
Food Service Fund		9,811
		93,774
Total	\$	93,774



READING COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

**NOTE 5 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2021, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated				
Land	\$ 84,468	\$ 0	\$ 0	\$ 84,468
Capital assets being depreciated				
Buildings & Improvements	\$ 13,266,923	\$ 1,679,208	\$ 0	\$ 14,946,131
Site Improvements	1,479,353	38,600	0	1,517,953
Furniture & Equipment	441,355	44,980	0	486,335
Vehicles	24,459	0	0	24,459
Subtotal	\$ 15,212,090	\$ 1,762,788	\$ 0	\$ 16,974,878
Less accumulated depreciation for				
Buildings & Improvements	\$ (7,048,495)	\$ (354,903)	\$ 0	\$ (7,403,398)
Site Improvements	(743,508)	(45,117)	0	(788,625)
Furniture & Equipment	(250,612)	(23,121)	0	(273,733)
Vehicles	0	(4,077)	0	(4,077)
Subtotal	\$ (8,042,615)	\$ (427,218)	\$ 0	\$ (8,469,833)
Total capital assets being depreciated, net	\$ 7,169,475	\$ 1,335,570	\$ 0	\$ 8,505,045
Total capital assets, net	\$ 7,253,943	\$ 1,335,570	\$ 0	\$ 8,589,513

Depreciation expense for the fiscal year ended June 30, 2021, was \$427,218. The District has determined that it is impractical to allocate depreciation to various governmental activities as the assets serve multiple functions.

**NOTE 6 - INTERFUND RECEIVABLES AND PAYABLES**

Amounts appearing as interfund receivable and payable arise when a fund pays for goods or services on behalf of another fund. The composition of interfund balances at June 30, 2021, is as follows:

Fund	Interfund Receivable	Fund	Interfund Payable
General Fund	\$ 63,799	2020 Capital Projects Fund	\$ 63,799
General Fund	19,392	Sinking Fund	19,392
Food Service Fund	42,740	General Fund	42,740
2019 Debt Service Fund	35,472	General Fund	35,472
2012 Debt Service Fund	9,445	General Fund	9,445
2020 Capital Projects Fund	34,600	Sinking Fund	34,600
	<u>\$ 205,448</u>		<u>\$ 205,448</u>

Interfund transfers during the year consisted of the following:

Transfer from Food Service Fund to General Fund	\$ 22,335
Transfer from General Fund to Food Service Fund	1,590

This first transfer was for current year indirect cost reimbursement. The second transfer was for reimbursement of bad debt in the Food Service Fund.

READING COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

**NOTE 7 - SHORT-TERM DEBT**

The following table outlines the District's short-term debt activity for the year ended June 30, 2021:

Balance June 30, 2020	Additions	Payments	Balance June 30, 2021
\$ 2,550,000	\$ 2,550,000	\$ (2,550,000)	\$ 2,550,000

Short-term debt is issued by the District to provide for cash flow needs between State Aid payments.

**NOTE 8 - COMPENSATED ABSENCES**

Vested or accumulated sick days that are expected to be liquidated with expendable available financial resources are reported as an expenditure and a fund liability of the governmental fund that will pay it. The entire compensated absence liability is reported on the government-wide financial statements. The policy for computation and payment of sick days to employees varies by job title.

**NOTE 9 - LONG-TERM DEBT**

The District issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. Installment purchase agreements are also general obligations of the government. Other long-term debt obligations include installment purchases, capital leases, and compensated absences.

Long-term debt activity for the year is summarized as follows:

	Balance 06/30/20	Increases	Payments/ Reductions	Balance 06/30/21	Amounts Due Within One Year
2012 Refunding Bonds and Premium	\$ 1,729,243	\$ 0	\$ (237,035)	\$ 1,492,208	\$ 242,035
2020 School Building & Site Bonds and Premium	2,998,795	0	(117,673)	2,881,122	167,673
Net Pension Liability	14,578,881	17,906	0	14,596,787	0
Net OPEB Liability	3,146,073	0	(902,436)	2,243,637	0
Compensated Absences	15,985	0	(2,755)	13,230	0
	<u>\$ 22,468,977</u>	<u>\$ 17,906</u>	<u>\$ (1,259,899)</u>	<u>\$ 21,226,984</u>	<u>\$ 409,708</u>

Annual debt service requirements to maturity for the above obligations are as follows:

Year Ending June 30	Principal	Interest
2022	\$ 409,708	\$ 98,994
2023	309,708	89,244
2024	314,708	82,238
2025	309,708	74,812
2026	314,708	67,226
2027-31	850,398	240,626
2032-36	763,365	155,800
2037-41	923,365	71,600
2042	177,662	3,500
Total	<u>\$ 4,373,330</u>	<u>\$ 884,040</u>

The annual requirements to amortize compensated absences, net pension liability, and net OPEB liability are not included above.

READING COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

**NOTE 9 - LONG-TERM DEBT (continued)**

General long-term debt consists of:	
\$3,090,000 serial bonds due in annual installments of \$150,000 to \$245,000 through May 1, 2027; interest from 2.0% to 2.5%	\$ 1,480,000
Plus: Bond Premium	12,208
\$2,940,000 Building & Site Bonds due in annual installments of \$55,000 to \$185,000 through May 1, 2042; interest from 2.0% to 3.0%	2,825,000
Plus: Bond Premium (net)	56,122
Net pension liability	14,596,787
Net OPEB liability	2,243,637
Compensated absences	13,230
Total long-term debt	\$ 21,226,984

**NOTE 10 - PROPERTY TAXES**

The School District levies its property taxes on December 1 on the taxable valuation of property located in the school district as of the preceding December 31. Various municipalities collect the property taxes and remit them to the District through March. The delinquent real property taxes of the District are purchased by the County, and delinquent personal property taxes continue to be collected by the municipalities and forwarded to the School District as they are collected. The total levy for 2020 was 17.8668 mills on non-homestead valuation for operational purposes, 1.8841 mills on total valuation for Sinking Fund, and 3.12 mills on total valuation for debt retirement. The 2020 taxable valuation of the District totaled approximately \$159,774,000.

**NOTE 11 - DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS**

**Plan Description**

The Michigan Public School Employees' Retirement System (System or MPSERS) 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. The board consists of twelve members – eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

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 the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

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**NOTE 11 - DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (continued)**

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

The system's financial statements are available at the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools)

**Benefits Provided**

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. Depending on the plan option selected, member retirement benefits are determined by final average compensation, years of service, and a pension factor ranging from 1.25% to 1.5%. 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.

A DB plan member who leaves Michigan public school employment may request a refund of his or her member contributions to the retirement system account if applicable. A refund cancels a former member's rights to future benefits. However, returning members who previously receive a refund of their contributions may reinstate their service through repayment of the refund upon satisfaction of certain requirements.

**Contributions**

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2019 valuation will be amortized over a 19-year period beginning October 1, 2019 and ending September 30, 2038.

The schedule below summarizes pension contribution rates in effect for fiscal year ended September 30, 2020:

Pension Contribution Rates

<u>Benefit Structure</u>	<u>Member</u>	<u>Employer</u>
Basic	0.0 – 4.0 %	19.41 %
Member Investment Plan	3.0 – 7.0 %	19.41 %
Pension Plus	3.0 – 6.4 %	16.46 %
Pension Plus 2	6.2 %	19.59 %
Defined Contribution	0.0 %	13.39 %

Regular contributions to the pension plan from Reading Community Schools were \$1,167,761 for the year ended September 30, 2020.

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**NOTE 11 - DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (continued)**  
**Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2021, Reading Community Schools reported a liability of \$14,596,787 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2019. Reading Community Schools' proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2020, the Reading Community Schools' proportion was .04249294% which was a decrease of .00152989% from its proportion measured at September 30, 2019.

For the year ended June 30, 2021, Reading Community Schools recognized pension expense of \$2,054,867. At June 30, 2021, Reading Community Schools reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ 223,027	\$ 31,155
Changes of assumptions	1,617,465	401,540
Net difference between projected and actual earnings on pension plan investments	61,329	0
Changes in proportion and differences between Employer contributions and proportionate share of contributions	118,347	370,385
Employer contributions subsequent to the measurement date	718,252	0
Total	\$ 2,738,420	\$ 803,080

Contributions subsequent to the measurement date reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Deferred (Inflow) and Deferred Outflow of Resources by Year  
(To Be Recognized in Future Pension Expenses)**

Plan year Ending September 30:	Amount
2021	\$ 830,094
2022	519,089
2023	217,362
2024	52,083

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**NOTE 11 - DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (continued)**

**Actuarial Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Additional information as of the latest actuarial valuation follows:

**Summary of Actuarial Assumptions**

Actuarial Assumptions

Valuation Date:	September 30, 2019
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	
- MIP Basic Plans	6.80%
- Pension Plus Plan	6.80%
- Pension Plus 2	6.00%
Projected Salary Increases:	2.75%-11.55% including wage inflation at 2.75%
Cost-of-Living Pension Adjustments	3.0% Annual Non-Compounded for MIP Members
Mortality:	Retirees: RP-2014 Male and Female Health Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006
	Active Members: P-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Notes:

- Assumption changes as a result of an experience study for the periods 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2017 valuation. The total pension liability as of September 30, 2020, is based on the results of an actuarial valuation date of September 30, 2019, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 4.4892
- Recognition period for assets in years: 5.0000
- Full actuarial assumptions are available in the 2020 MPSERS Comprehensive Annual Financial Report found on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools)

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**NOTE 11 - DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (continued)**

**Long-Term Expected Return on Plan Assets**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2020, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return*</u>
Domestic Equity Pools	25.0%	5.6%
Private Equity Pools	16.0	9.3
International Equity Pools	15.0	7.4
Fixed Income Pools	10.5	0.5
Real Estate and Infrastructure Pools	10.0	4.9
Absolute Return Pools	9	3.2
Real Return/Oppportunistic Pools	12.5	6.6
Short Term Investment Pools	2.0	0.1
<b>Total</b>	<b>100.00%</b>	

\*Long term rates of return are net of administrative expenses and 2.3% inflation

**Rate of Return**

For the fiscal year ended September 30, 2020, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 5.37%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Discount Rate**

A discount rate of 6.80% was used to measure the total pension liability (6.80% for the Pension Plus Plan, 6.0% for the Pension Plus 2 Plan, hybrid plans provided through non-university employers only). This discount rate was based on the long term expected rate of return on pension plan investments of 6.80% (6.80% for the Pension Plus Plan, 6.0% for the Pension Plus 2 Plan). 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 employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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**NOTE 11 - DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (continued)**

**Sensitivity of Reading Community Schools' proportionate share of the net pension liability to changes in the discount rate**

The following presents Reading Community Schools' proportionate share of the net pension liability, calculated using the discount rate of 6.8% (6.8% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan), as well as what Reading Community Schools' 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:

1% Decrease	Current Single Discount Rate Assumption	1% Increase
5.80%/5.80%/5.00%	6.80%/6.80%/6.00%	7.80%/7.80%/7.00%
\$18,393,065	\$14,596,787	\$11,036,131

\*Discount rates listed in the following order: Basic and Member Investment Plan (MIP), Pension Plus, and Pension Plus 2.

**Michigan Public School Employees' Retirement System (MPERS) Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPERS CAFR, available on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

**NOTE 12 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

**Plan Description**

The Michigan Public School Employees' Retirement System (System or MPERS) 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. The board consists of twelve members—eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

The System's health plan provides all eligible retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

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

The System's financial statements are available on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools)

**Benefits Provided**

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



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**NOTE 12– POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (continued)**

the monthly pension of each retiree healthcare 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. Dependents are eligible for healthcare coverage if they meet the dependency requirements set forth in Public Act 300 of 1980, as amended.

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 were deposited into their 401(k) account.

**Contributions**

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

Employer OPEB contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2019 valuation will be amortized over a 19-year period beginning October 1, 2019 and ending September 30, 2038.

The schedule below summarizes OPEB contribution rates in effect for fiscal year ended September 30, 2020.

**OPEB Contribution Rates**

<u>Benefit Structure</u>	<u>Member</u>	<u>Employer</u>
Premium Subsidy	3.0 %	8.09 %
Personal Healthcare Fund (PHF)	0.0 %	7.57 %

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**NOTE 12 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (continued)**

Required contributions to the OPEB plan from Reading Community Schools were \$295,894 for the year ended September 30, 2020.

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

At June 30, 2021, Reading Community Schools reported a liability of \$2,243,637 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2019. Reading Community Schools' proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2020, Reading Community Schools' proportion was .04188026%, which was a decrease of .00195066% from its proportion measured as of October 1, 2019.

For the year ending June 30, 2021, Reading Community Schools recognized OPEB expense of \$(84,746). At June 30, 2021, Reading Community Schools 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>
Differences between actual and expected experience	\$ 0	\$ 1,671,720
Changes of Assumptions	739,722	0
Net difference between projected and actual earnings on OPEB plan investments	18,726	0
Changes in proportion and differences between employer contributions and proportionate share of contributions	55,692	189,662
Employer contributions subsequent to the measurement date	<u>292,159</u>	<u>0</u>
Total	<u>\$ 1,106,299</u>	<u>\$ 1,861,382</u>

Contributions subsequent to the measurement date reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

**Deferred (Inflow) and Deferred Outflow of Resources by Year (To Be Recognized in Future OPEB Expenses)**

**Plan year ending September 30:**

2021	\$ (270,703)
2022	(243,720)
2023	(209,368)
2024	(179,985)
2025	(143,416)

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**NOTE 12 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (continued)**

**Actuarial Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Additional information as of the latest actuarial valuation follows:

**Summary of Actuarial Assumptions**

Valuation Date:	September 30, 2019
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	6.95% net of investment expenses
Projected Salary Increases:	2.75% - 11.55%, including wage inflation at 2.75%
Healthcare Cost Trend Rate:	7.0% Year 1 graded to 3.5% Year 15; 3.0% Year 120
Mortality: Retirees:	RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Active Members:	RP-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Other Assumptions:	
Opt Out Assumptions	21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan
Survivor Coverage	80% of male retirees and 67% of female retirees are assumed to have coverages 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 one or more dependents.

Notes:

- Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual OPEB valuations beginning with the September 30, 2017 valuation. The total OPEB liability as of September 30, 2020, is based on the results of an actuarial valuation date of September 30, 2019, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 5.6018
- Recognition period for assets in years is 5.0000
- Full actuarial assumptions are available in the 2020 MPSERS Comprehensive Annual Financial Report found on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

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**NOTE 12 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (continued)**

**Long-Term Expected Return on Plan Assets**

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan’s target asset allocation as of September 30, 2020, are summarized in the following table:

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

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

**Rate of Return**

For the fiscal year ended September 30, 2020, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 5.24%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Discount Rate**

A discount rate of 6.95% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 6.95%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer 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 Reading Community Schools proportionate share of the net OPEB liability to changes in the discount rate**

The following presents Reading Community Schools’ proportionate share of the net OPEB liability calculated using the discount rate of 6.95%, as well as what Reading Community Schools’ proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

<b>1% Decrease</b>	<b>Current Discount Rate</b>	<b>1% Increase</b>
5.95%	6.95%	7.95%
\$2,882,207	\$2,243,637	\$1,706,015

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**NOTE 12 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (continued)**

**Sensitivity of Reading Community Schools proportionate share of the net OPEB liability to Healthcare Cost Trend Rate**

The following presents Reading Community Schools’ proportionate share of the net OPEB liability calculated using assumed trend rates, as well as what Reading Community Schools’ proportionate share of net OPEB liability would be if it were calculated using a trend rate that is 1-percentage-point lower or 1-percentage-point higher:

1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
\$1,685,431	\$2,243,637	\$2,878,529

**OPEB Plan Fiduciary Net Position**

Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued 2020 MPSERS CAFR, available on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools)

**NOTE 13 - RISK MANAGEMENT**

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical benefits provided to employees. The School District has purchased commercial insurance for medical benefits and participates in the MASB-SEG Property/Casualty risk pool for the remaining areas of risk. There has been no significant reduction in coverages, and settled claims have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The MASB/SEG Property/Casualty Pool, Inc. is a public entity risk pool (self-insurance pool) which provides for reinsurance by various insurance companies at various levels, depending on coverage. Should the pool experience significant losses in the aggregate, the School District may be required to pay additional monies to the pool. At present, the pool has not required additional funds, but rather has issued refunds based on experience gains over experience losses over the last few years.

**NOTE 14– FUND BALANCE CONSTRAINTS**

Fund balances have been constrained for the following purposes as of June 30, 2021:

	General Fund	2020 Capital Projects Fund	Food Service Fund	Student/ School Activities Fund	Sinking Fund	Debt Service Funds
Nonspendable:						
Inventory	\$ 0	\$ 0	\$ 4,355	\$ 0	\$ 0	\$ 0
Prepaid Expenditures	11,626	0	0	0	0	0
Restricted:						
Capital Outlay	0	26,001	0	0	200,599	0
Food Service	0	0	202,160	0	0	0
Debt Service	0	0	0	0	0	125,429
Committed:						
Student/School Activities	0	0	0	57,435	0	0
Assigned:						
Athletics	77,972	0	0	0	0	0
Budgeted 2021-22 excess of expenditures over revenue	156,201	0	0	0	0	0

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**NOTE 15 - UNEMPLOYMENT TAXES**

The School District is a reimbursing employer to the Michigan Unemployment Insurance Agency and, as such, is responsible to pay the Agency for those benefits paid and charged to its account. As of June 30, appropriate liabilities have been recorded for all claims paid by the Agency. However, no provision has been made for future payments that might result from claims in process or not filed.

**NOTE 16- COMMITMENTS**

At its May, 2021, meeting, the School Board approved the borrowing of up to \$2,550,000 in anticipation of State Aid for the 2021-22 school year.

**NOTE 17 – TAX ABATEMENTS**

The District receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions granted by the City of Reading. Industrial facility exemptions are intended to promote construction of new industrial facilities, or rehabilitation of existing facilities. The property taxes abated for all funds under this program for the year was \$26,310.

The taxes abated for the general fund operating millage are considered by the State of Michigan when determining the District's Section 22 funding of the State School Aid Act.

**NOTE 18 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through October 22, 2021, the date on which the financial statements were available to be issued.

**NOTE 19 – GLOBAL PANDEMIC**

The COVID-19 pandemic developed rapidly in 2020, with a significant number of infections, both locally and worldwide. The extent of the impact on the District's operational and financial performance will depend on the duration and spread of the outbreak, the impact on the state economy, taxpayers, employees, and vendors, all of which are uncertain and cannot be predicted.

**NOTE 20 – UPCOMING ACCOUNTING PRONOUNCEMENT**

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

READING COMMUNITY SCHOOLS  
SCHEDULE OF REVENUE, EXPENDITURES  
AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2021

	Budget		Actual	Actual
	Original	Final		Over (Under) Final Budget
<b>REVENUE</b>				
Local Sources	\$ 1,000,024	\$ 1,056,588	\$ 1,046,479	\$ (10,109)
State Sources	6,053,435	6,160,633	6,032,061	(128,572)
Federal Sources	286,742	748,338	780,320	31,982
Total Revenue	<u>\$ 7,340,201</u>	<u>\$ 7,965,559</u>	<u>\$ 7,858,860</u>	<u>\$ (106,699)</u>
<b>EXPENDITURES</b>				
Instruction				
Basic Programs	\$ 3,606,239	\$ 3,735,813	\$ 3,581,594	\$ (154,219)
Added Needs	977,929	897,416	846,538	(50,878)
Support Services				
Pupil Services	269,856	338,997	308,732	(30,265)
Instructional Staff	170,103	451,508	484,873	33,365
General Administration	277,567	273,213	271,115	(2,098)
School Administration	480,374	498,073	474,765	(23,308)
Business Services	190,400	199,239	173,963	(25,276)
Operation & Maintenance	802,390	867,630	852,040	(15,590)
Pupil Transportation	457,176	420,499	395,078	(25,421)
Central Services	93,919	93,268	85,514	(7,754)
Athletic Activities	300,337	286,389	234,555	(51,834)
Community Services	21,738	27,557	21,827	(5,730)
Capital Outlay	5,000	58,000	57,766	(234)
Total Expenditures	<u>\$ 7,653,028</u>	<u>\$ 8,147,602</u>	<u>\$ 7,788,360</u>	<u>\$ (359,242)</u>
REVENUE OVER (UNDER) EXPENDITURES	<u>\$ (312,827)</u>	<u>\$ (182,043)</u>	<u>\$ 70,500</u>	<u>\$ 252,543</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating Transfers In	\$ 0	\$ 75,000	\$ 20,745	\$ (54,255)
Operating Transfers Out	\$ (400)	\$ 0	\$ 0	0
Other Sources	150,000	25,296	8,431	(16,865)
Other Uses	(6,000)	(6,000)	(5,868)	132
Total Other Financing Sources (Uses)	<u>\$ 143,600</u>	<u>\$ 94,296</u>	<u>\$ 23,308</u>	<u>\$ (70,988)</u>
REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ (169,227)</u>	<u>\$ (87,747)</u>	<u>\$ 93,808</u>	<u>\$ 181,555</u>
FUND BALANCES - Beginning	471,192	471,192	471,192	0
FUND BALANCES - Ending	<u><u>\$ 301,965</u></u>	<u><u>\$ 383,445</u></u>	<u><u>\$ 565,000</u></u>	<u><u>\$ 181,555</u></u>

**READING COMMUNITY SCHOOLS**  
**Schedule of the District's Proportionate Share of the Net Pension Liability**  
**Michigan Public School Employees Retirement Plan**  
**Last 10 Fiscal Years (Amounts were determined as of 9/30 of each fiscal year)**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
A. District's proportion of net pension liability (%)				0.04249294%	0.04402283%	0.04412723%	0.04316122%	0.04172763%	0.04441698%	0.04254%
B. District's proportionate share of net pension liability				\$ 14,596,787	\$ 14,578,881	\$ 13,265,442	\$ 11,184,907	\$ 10,410,702	\$ 10,848,859	\$ 9,369,700
C. District's covered-employee payroll				\$ 3,738,518	\$ 3,848,670	\$ 3,807,536	\$ 3,754,463	\$ 3,469,535	\$ 3,812,474	\$ 3,695,594
D. District's proportionate share of net pension liability as a percentage of its covered-employee payroll				390.44%	378.80%	348.40%	297.90%	300.06%	284.56%	253.54%
E. Plan fiduciary net position as a percentage of total pension liability				59.72%	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%



**READING COMMUNITY SCHOOLS**  
**Schedule of the District's Pension Contributions**  
**Michigan Public School Employees Retirement Plan**  
**Last 10 Employer Fiscal Years (Amounts were determined as of 6/30 of each 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>
A. Statutorily required contributions				\$ 918,905	\$ 920,555	\$ 946,643	\$ 928,732	\$ 895,985	\$ 868,852	\$ 944,571
B. Contributions in relation to statutorily required contributions				<u>918,905</u>	<u>920,555</u>	<u>946,643</u>	<u>928,732</u>	<u>895,985</u>	<u>868,852</u>	<u>944,571</u>
C. Contribution deficiency (excess)				<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
D. District's covered-employee payroll				\$ 3,721,473	\$ 3,760,121	\$ 3,865,602	\$ 3,790,737	\$ 3,724,879	\$ 3,635,938	\$ 3,811,582
E. Contributions as a percentage of covered-employee payroll				24.69%	24.48%	24.49%	24.50%	24.05%	23.89%	24.48%

**READING COMMUNITY SCHOOLS**  
**Schedule of the District's Proportionate Share of the Net OPEB Liability**  
**Michigan Public School Employees Retirement Plan**  
**Last 10 Fiscal Years (Amounts were determined as of 9/30 of each fiscal year)**

	<u>2026</u>	<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>
A. District's proportion of net OPEB liability (%)							4.1880260%	0.0438309%	0.0445603%	0.0433469%
B. District's proportionate share of net OPEB liability							\$ 2,243,637	\$ 3,146,073	\$ 3,542,080	\$ 3,838,376
C. District's covered payroll (OPEB)							\$ 3,738,518	\$ 3,848,670	\$ 3,807,536	\$ 3,754,463
D. District's proportionate share of net OPEB liability as a percentage of its covered payroll (%)							60.01%	81.74%	93.03%	102.23%
E. Plan fiduciary net position as a							59.44%	48.46%	42.95%	36.39%

**READING COMMUNITY SCHOOLS**  
**Schedule of the District's OPEB Contributions**  
**Michigan Public School Employees Retirement Plan**  
**Last 10 Employer Fiscal Years (Amounts were determined as of 6/30 of each year)**

	<u>2027</u>	<u>2026</u>	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
A. Statutorily required OPEB contributions							\$ 372,991	\$ 372,214	\$ 380,811	\$ 354,740
B. OPEB Contributions in relation to statutorily required contributions							<u>372,991</u>	<u>372,214</u>	<u>380,811</u>	<u>354,740</u>
C. Contribution deficiency (excess)							<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
D. District's covered-employee payroll (OPEB)							\$ 3,721,473	\$ 3,760,121	\$ 3,865,602	\$ 3,790,737
E. OPEB Contributions as a percentage of covered payroll							10.02%	9.90%	9.85%	9.36%

READING COMMUNITY SCHOOLS  
Notes to Required Supplementary Information  
For the Year Ended June 30, 2021

Pension Information

**Benefit changes** - there were no changes of benefit terms in FY 2020.

**Changes of assumptions** – there were no changes of benefits in FY 2020

OPEB Information

**Benefit changes** - there were no changes of benefit terms in FY 2020.

**Changes of assumptions** – there were no changes of benefit assumptions in FY 2020.



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INDEPENDENT AUDITOR'S REPORT ON BALANCE SHEET AND  
STATEMENT OF REVENUE AND EXPENDITURES AND  
CHANGES IN FUND BALANCE

To the Board of Education  
Reading Community Schools  
Reading, Michigan

**Report on the Financial Statements**

We have audited the accompanying balance sheet and statement of revenue and expenditures and changes in fund balance of the 2020 Capital Projects Fund of Reading Community Schools as of and for the year ended June 30, 2021.

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

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

**Auditor's Responsibility**

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

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

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

The accompanying statements were prepared for the purpose of complying with the provisions of the Michigan Revised School Code (Public act 451 of 1976, as amended), Part 17 - Bonds and Notes, Section 380-1351(a) as described in Note 1. The presentation is not intended to be a presentation of the District's total revenue and expenditures.

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, revenue and expenditures of the 2020 Capital Projects Fund of Reading Community Schools as of and for the year ended June 30, 2021, in accordance with accounting principles generally accepted in the United States of America.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2021, on our consideration of Reading Community Schools' 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 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 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 Reading Community School's internal control over financial reporting and compliance.

*Bailey, Hodshire & Company, P.C.*

Jonesville, Michigan  
October 22, 2021

READING COMMUNITY SCHOOLS  
BALANCE SHEET  
2020 CAPITAL PROJECTS FUND  
JUNE 30, 2021

ASSETS	
Cash	\$ 64,659
Due from Other Funds	<u>34,600</u>
Total Assets	<u>\$ 99,259</u>
LIABILITIES AND FUND BALANCE	
Liabilities	
Accounts Payable	\$ 9,459
Due to Other Funds	<u>63,799</u>
Total Liabilities	<u>\$ 73,258</u>
Fund Balance	
Restricted for Capital Outlay	<u>\$ 26,001</u>
Total Liabilities and Fund Balance	<u>\$ 99,259</u>

READING COMMUNITY SCHOOLS  
STATEMENT OF REVENUE, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
2020 CAPITAL PROJECTS FUND  
FOR THE YEAR ENDED JUNE 30, 2021

REVENUE	
Interest Income	\$ 4,943
EXPENDITURES	
Capital Outlay	<u>1,438,062</u>
REVENUE OVER (UNDER) EXPENDITURES	<u>\$(1,433,119)</u>
FUND BALANCE - Beginning	<u>1,459,120</u>
FUND BALANCE - Ending	<u>\$ 26,001</u>

The accompanying notes are an integral part of this statement.

READING COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

Reading Community Schools is a K-12 school district situated in Hillsdale County, Michigan. Operations are directed by a 7-member school board, and the administrative staff is headed by a superintendent. This report includes only the balance sheet and statement of revenue, expenditures and changes in fund balance of the 2020 Capital Projects Fund of the District. Its activities are considered to be part of the District and controlled by the Board of Education.

Bond Description

On November 5, 2019, the voters of the District approved a bond issue not to exceed \$6,520,000 for the purpose of remodeling school buildings, and improving and equipping playgrounds. The School Board authorized the issuance of the 2020 School Building and Site Bonds, Series I on January 22, 2020, in the amount of \$2,940,000. The bonds, dated April 1, 2020, bear interest of 2.0% - 2.5% and are due serially through 2042.

Basis of Presentation

The accompanying financial statements have been prepared based on the modified accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America. On this basis, revenue is generally recorded in the period in which it is received in cash, except for material items of revenue which should be accrued to reflect revenue earned, and expenditures are generally recorded at the time the liability is incurred.

The Michigan Revised School Code (Public act 451 of 1976, as amended), Part 17 - Bonds and Notes, Section 380-1351(a)(1) and (2) requires that for bonds issued under that section after May 1, 1994, an independent audit be performed on certain operating results and compliance tests performed related to specified bond activities.

The accompanying statement reflects the activity of the 2020 School Building and Site Bonds, Series I, as recorded in the 2020 Capital Projects Fund, as of and for the year ended June 30, 2021.



READING COMMUNITY SCHOOLS  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2021

	Special Revenue Funds	
	Food Service	Student/School Activities
<b>ASSETS</b>		
Cash & Investments	\$ 171,775	\$ 57,435
Accounts Receivable	318	0
Due from Other Funds	42,740	0
Inventory	4,355	0
Prepaid Expenditures	0	0
Total Assets	\$ 219,188	\$ 57,435
<b>LIABILITIES</b>		
Accounts Payable	\$ 2,862	\$ 0
Due to Other Funds	0	0
Unearned Revenue	9,811	0
Total Liabilities	\$ 12,673	\$ 0
<b>FUND BALANCE</b>		
Nonspendable	\$ 4,355	\$ 0
Restricted	202,160	0
Committed	0	57,435
Assigned	0	0
Unassigned	0	0
Total Fund Balances	\$ 206,515	\$ 57,435
Total Liabilities and Fund Balances	\$ 219,188	\$ 57,435

Capital Projects Fund	Debt Retirement Funds		Total Nonmajor Governmental Funds
Sinking Fund	2020 Debt Service	2012 Debt Service	
\$ 251,522	\$ 34,270	\$ 46,242	\$ 561,244
0	0	0	318
0	35,472	9,445	87,657
0	0	0	4,355
3,069	0	0	3,069
<u>\$ 254,591</u>	<u>\$ 69,742</u>	<u>\$ 55,687</u>	<u>\$ 656,643</u>
\$ 0	\$ 0	\$ 0	\$ 2,862
53,992	0	0	53,992
0	0	0	9,811
<u>\$ 53,992</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 66,665</u>
\$ 0	\$ 0	\$ 0	\$ 4,355
200,599	69,742	55,687	528,188
0	0	0	57,435
0	0	0	0
0	0	0	0
<u>\$ 200,599</u>	<u>\$ 69,742</u>	<u>\$ 55,687</u>	<u>\$ 589,978</u>
<u>\$ 254,591</u>	<u>\$ 69,742</u>	<u>\$ 55,687</u>	<u>\$ 656,643</u>

READING COMMUNITY SCHOOLS  
 COMBINING STATEMENT OF REVENUE, EXPENDITURES  
 AND CHANGES IN FUND BALANCE  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2021

	Special Revenue Funds	
	Food Service	Student/School Activities
<b>REVENUE</b>		
Property Taxes	\$ 0	\$ 0
Food Service Sales	16,312	0
Student/School Activities	0	51,348
State School Aid	17,426	0
Federal National School Lunch Program	610,370	0
Interest Income	162	0
Miscellaneous Income	1,419	0
Total Revenue	\$ 645,689	\$ 51,348
<b>EXPENDITURES</b>		
Salaries	\$ 132,671	\$ 0
Employee Benefits	88,020	0
Purchased Services	2,258	0
Supplies & Materials	316,636	0
Other	2,884	0
Student/School Activities	0	34,795
Redemption of Principal	0	0
Interest on Debt	0	0
Capital Outlay – Depreciable	10,715	0
Capital Outlay - Nondepreciable	821	0
Total Expenditures	\$ 554,005	\$ 34,795
Excess of Revenue Over (Under) Expenditures	\$ 91,684	\$ 16,553
<b>OTHER FINANCING SOURCES (USES)</b>		
Operating Transfers In	\$ 1,590	\$ 0
Operating Transfers Out	(22,335)	0
Total Other Financing Sources (Uses)	\$ (20,745)	\$ 0
Net Change in Fund Balances	\$ 70,939	\$ 16,553
FUND BALANCES - Beginning	135,576	40,882
FUND BALANCES - Ending	\$ 206,515	\$ 57,435

Capital Projects Fund	Debt Retirement Funds		Total Nonmajor Governmental Funds
	2020 Debt Service	2012 Debt Service	
Sinking Fund			
\$ 303,008	\$ 221,929	\$ 279,842	\$ 804,779
0	0	0	16,312
0	0	0	51,348
0	0	0	17,426
0	0	0	610,370
311	94	127	694
4,048	2,946	3,777	12,190
<u>\$ 307,367</u>	<u>\$ 224,969</u>	<u>\$ 283,746</u>	<u>\$ 1,513,119</u>
\$ 0	\$ 0	\$ 0	\$ 132,671
0	0	0	88,020
0	0	0	2,258
0	0	0	316,636
144	131	522	3,681
0	0	0	34,795
0	115,000	235,000	350,000
0	74,208	38,644	112,852
256,245	0	0	266,960
101,219	0	0	102,040
<u>\$ 357,608</u>	<u>\$ 189,339</u>	<u>\$ 274,166</u>	<u>\$ 1,409,913</u>
<u>\$ (50,241)</u>	<u>\$ 35,630</u>	<u>\$ 9,580</u>	<u>\$ 103,206</u>
\$ 0	\$ 0	\$ 0	\$ 1,590
0	0	0	(22,335)
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (20,745)</u>
\$ (50,241)	\$ 35,630	\$ 9,580	\$ 82,461
250,840	34,112	46,107	507,517
<u>\$ 200,599</u>	<u>\$ 69,742</u>	<u>\$ 55,687</u>	<u>\$ 589,978</u>

**READING COMMUNITY SCHOOLS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2021**

Federal Grantor Pass-Through Grantor Program Title - Grant Number	Federal CFDA Number	Pass-through Grantor's Number	Award Amount	(Deferred) Revenue 7/1/2020	Accrued or (Memo Only) Prior Year Expenditures	Current Year Receipts	Current Year Expenditures	Adjustments and Transfers	Accrued (Deferred) Revenue 6/30/2021
U.S. Department of Agriculture:									
Passed through Michigan Department of Education:									
Child Nutrition Cluster:									
Non-cash assistance (U.S.D.A. commodities):									
Entitlement Commodities	10.555		\$ 29,055	\$ 0	\$ 0	\$ 29,055	\$ 29,055	\$ 0	\$ 0
Bonus Commodities			622	0	0	622	622	0	0
			<u>\$ 29,677</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 29,677</u>	<u>\$ 29,677</u>	<u>\$ 0</u>	<u>\$ 0</u>
Cash assistance:									
COVID-19 Summer Food Service Program	10.559	200900	\$ 48,799	\$ 0	\$ 0	\$ 48,799	\$ 48,799	\$ 0	\$ 0
		210904	531,894	0	0	462,421	531,894	0	69,473
			<u>\$ 580,693</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 511,220</u>	<u>\$ 580,693</u>	<u>\$ 0</u>	<u>\$ 69,473</u>
Total Child Nutrition Cluster			<u>\$ 610,370</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 540,897</u>	<u>\$ 610,370</u>	<u>\$ 0</u>	<u>\$ 69,473</u>
Total U.S. Department of Agriculture			<u>\$ 610,370</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 540,897</u>	<u>\$ 610,370</u>	<u>\$ 0</u>	<u>\$ 69,473</u>
U.S. Department of Treasury:									
Passed through Michigan Department of Education:									
Coronavirus Relief Fund (CRF)									
103(2) District COVID Funds	21.019	2021	\$ 8,617	\$ 0	\$ 0	\$ 8,617	\$ 8,617	\$ 0	\$ 0
11p Coronavirus Relief Funds			244,808	0	0	244,808	244,808	0	0
			<u>\$ 253,425</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 253,425</u>	<u>\$ 253,425</u>	<u>\$ 0</u>	<u>\$ 0</u>
MiConnect Connectivity Project	21.019	2021	\$ 16,848	\$ 0	\$ 0	\$ 16,848	\$ 16,848	\$ 0	\$ 0
Total U.S. Department of Treasury			<u>\$ 270,273</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 270,273</u>	<u>\$ 270,273</u>	<u>\$ 0</u>	<u>\$ 0</u>

**READING COMMUNITY SCHOOLS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2021  
(continued)**

Federal Grantor Pass-Through Grantor Program Title - Grant Number	Federal CFDA Number	Pass-through Grantor's Number	Award Amount	(Deferred) Revenue 7/1/2020	Accrued or (Memo Only) Prior Year Expenditures	Current Year Receipts	Current Year Expenditures	Adjustments and Transfers	Accrued (Deferred) Revenue 6/30/2021
U.S. Department of Education:									
Passed through Michigan Department of Education:									
Title I Part A	84.010	201530/1920	\$ 257,851	\$ 81,924	\$ 243,446	\$ 81,924	\$ 0	\$ 0	\$ 0
		211530/2021	235,717	0	0	160,278	197,750	0	37,472
			<u>\$ 493,568</u>	<u>\$ 81,924</u>	<u>\$ 243,446</u>	<u>\$ 242,202</u>	<u>\$ 197,750</u>	<u>\$ 0</u>	<u>\$ 37,472</u>
Title V Part B - Rural Education	84.358	200660/1920	\$ 14,990	\$ 319	\$ 14,809	\$ 319	\$ 0	\$ 0	\$ 0
		210660/2021	13,850	0	0	13,086	13,302	0	216
			<u>\$ 28,840</u>	<u>\$ 319</u>	<u>\$ 14,809</u>	<u>\$ 13,405</u>	<u>\$ 13,302</u>	<u>\$ 0</u>	<u>\$ 216</u>
Education Stabilization Fund									
GEER Funds - K-12	84.425C	201200/2021	\$ 39,844	\$ 0	\$ 0	\$ 39,844	\$ 39,844	\$ 0	\$ 0
ESSER - Formula	84.425D	203710/1920	191,064	58,759	58,759	191,064	132,305	0	0
ESSER II Funds - Formula	84.425D	213712/2021	303,277	0	0	0	76,281	0	76,281
			<u>\$ 534,185</u>	<u>\$ 58,759</u>	<u>\$ 58,759</u>	<u>\$ 230,908</u>	<u>\$ 248,430</u>	<u>\$ 0</u>	<u>\$ 76,281</u>
Title II Part A – Supporting Effective Instruction	84.367	200520/1920	\$ 42,887	\$ 15,800	\$ 41,077	\$ 15,800	\$ 0	\$ 0	\$ 0
		210520/2021	37,939	0	0	22,140	31,574	0	9,434
			<u>\$ 80,826</u>	<u>\$ 15,800</u>	<u>\$ 41,077</u>	<u>\$ 37,940</u>	<u>\$ 31,574</u>	<u>\$ 0</u>	<u>\$ 9,434</u>
Title IV Part A - Student Support & Academic Enrichment	84.424	200750/1920	\$ 17,018	\$ 350	\$ 17,016	\$ 350	\$ 0	\$ 0	\$ 0
		210750/2021	16,918	0	0	16,918	16,918	0	0
			<u>\$ 33,936</u>	<u>\$ 350</u>	<u>\$ 17,016</u>	<u>\$ 17,268</u>	<u>\$ 16,918</u>	<u>\$ 0</u>	<u>\$ 0</u>
Passed through Hillsdale County Intermediate School District:									
Medical Assistance Program	93.778		\$ 2,072	\$ 0	\$ 0	\$ 1,423	\$ 2,072	\$ 0	\$ 649
Total U.S. Department of Education			<u>\$ 1,173,427</u>	<u>\$ 157,152</u>	<u>\$ 375,107</u>	<u>\$ 543,146</u>	<u>\$ 510,046</u>	<u>\$ 0</u>	<u>\$ 124,052</u>
Total Federal Financial Assistance			<u>\$ 2,054,070</u>	<u>\$ 157,152</u>	<u>\$ 375,107</u>	<u>\$ 1,354,316</u>	<u>\$ 1,390,689</u>	<u>\$ 0</u>	<u>\$ 193,525</u>

**NOTES:**

1. This schedule includes the federal grant activity of Reading Community Schools and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and reconciles with the amounts presented in the financial statements.
2. Management has utilized the Grants Section Auditors Report (Form R7120) and CMS Grant Auditor Report (GAR) in preparing this schedule.
3. The amounts reported on the Recipient Entitlement Balance Report agree with this schedule for USDA donated food commodities.
4. The Child Nutrition Cluster (CFDA #10.555 and 10.559) was audited as a major program, representing 43.9% of total Federal expenditures.
5. Reading Community Schools has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

READING COMMUNITY SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2021

Financial Statements

Type of auditor's report issued:	Unmodified		
Internal control over financial reporting:			
Material weakness(es) identified?	_____	Yes	_____ <u>X</u> _____ No
Significant deficiency(ies) identified?	_____ <u>X</u> _____	Yes	_____ _____ No
Noncompliance material to financial statements noted?	_____	Yes	_____ <u>X</u> _____ No

Federal Awards

Internal control over major programs:			
Material weakness(es) identified?	_____	Yes	_____ <u>X</u> _____ No
Significant deficiency(ies) identified?	_____ <u>X</u> _____	Yes	_____ _____ No
Type of auditor's report issues on compliance for major programs:	Unmodified		
Any audit findings disclosed that are required to be reported in accordance with 2CFR Section 200.516(a)?	_____	Yes	_____ <u>X</u> _____ No

Major Programs

<u>CFDA Numbers</u> 10.555 and 10.559	<u>Name of Federal Program or Cluster</u> Child Nutrition Cluster
Dollar threshold to distinguish between Type A and Type B programs:	\$750,000
Auditee qualifies as low-risk auditee?	_____ Yes _____ <u>X</u> _____ No

SECTION II – FINANCIAL STATEMENT FINDINGS

**2021-001**

Type of finding: Significant deficiency – Segregation of Duties

Criteria: Management is responsible for establishing effective internal controls to safeguard the District's assets, and to prevent or detect misstatements to the financial statements. In establishing appropriate internal controls, careful consideration must be given to the cost of a particular control and the related benefits to be received. Accordingly, management must make the difficult decision of what degree of risk it is willing to accept, given the government's unique circumstances.

Condition: We noted that the District may not have sufficient segregation of duties in its accounting structure. Specifically, we noted that one employee in the business office has access to all aspects of the accounts payable cycle, is responsible for maintenance of the general ledger, performs bank reconciliations, and processes ACH transactions.

Cause: Due to the small size of the accounting staff, segregation of duties is difficult to achieve.

Effect: A greater risk in safeguarding assets exists if duties and responsibilities are not separated.

READING COMMUNITY SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2021

Recommendation: The District should review various areas of operation and consider additional segregation of duties where possible as well as a review process involving other staff members and/or board members when segregation of duties is inefficient.

View of Responsible Officials and Planned Corrective Action: Due to the State of Michigan inadequately funding its school districts, the District business office is understaffed. While our goal is to add an additional employee to alleviate this undesirable situation of lack of segregation of duties, until our financial situation improves this situation is likely to continue. The District does attempt to mitigate the risk of lack of segregation of duties by having the Board of Education review and approve all accounts payable checks and monthly financial statements.

**2021-002**

Type of finding: Noncompliance, expenditures in excess of budget

Criteria: State law indicates that a deviation from the original appropriations act [budget] shall not be made without amending the general appropriations act.

Condition: During the year the District incurred expenditures which were in excess of the amounts appropriated.

Cause: The final budget amendments did not provide for all deviations from the original budget.

Effect: The District is not in compliance with State law.

Recommendation: The District should continue to closely monitor the budget and make adjustments when necessary.

View of Responsible Officials: We agree with the recommendation and will take the proper steps to monitor the budget in the future.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

**2021-003**

Federal agency: U.S. Department of Agriculture

Federal program title: U.S.D.A. Commodities, Summer Food Service Program

CFDA Number: 10.555 and 10.559

Pass-Through Agency: Michigan Department of Education

Type of Finding: Significant Deficiency in Internal Control over Compliance

Criteria: Per 2 CFR section 200.212 and 200.318(h); 2 CFE section 180.300; 48 CFR section 52-209-6, the District must have procedures in place for verifying that an entity with which it plans to enter into a “covered transaction” (transactions that are expected to equal or exceed \$25,000 in expenditures of Federal funds) is not debarred, suspended, or otherwise excluded by the Federal government.

Condition: The District did not verify covered transactions in the Food Service Fund to ensure that the vendor(s) were not debarred, suspended, or otherwise excluded.

Questioned costs: None

Cause: There are no internal controls in place to ensure verification of vendors through the Federal government’s System for Award Management Exclusions (SAM)

Effect: The District has a risk of noncompliance with the requirements of the program.



READING COMMUNITY SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2021

Recommendation: The District should review its policies and procedures and implement a process to identify purchases of \$25,000 or more with any Federal program and verify the related vendor by checking SAM.

View of responsible officials: We agree with the recommendation and will implement the proper procedures immediately.

**2021-004**

Federal agency: U.S. Department of Agriculture

Federal program title: U.S.D.A. Commodities, Summer Food Service Program

CFDA Number: 10.555 and 10.559

Pass-Through Agency: Michigan Department of Education

Type of Finding: Significant Deficiency in Internal Control over Compliance

Criteria: Per 7 CFR section 200.219 (a)(2), the fund equity of the District's food service program should not exceed 3 months' average expenditures.

Condition: The District ended the fiscal year with fund equity in excess of 3 months' average expenditures.

Questioned costs: None

Cause: There are no internal controls in place to ensure compliance with the fund equity requirement.

Effect: The District has a risk of noncompliance with the requirements of the program.

Recommendation: The District should review its policies and procedures and implement a process to periodically review the fund equity of the food service program and make spending adjustments as needed.

View of responsible officials: We agree with the recommendation and will implement the proper procedures immediately.

SECTION IV – SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

Not applicable – an audit in accordance with the Uniform Guidance was not required last year.



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

To the Board of Education  
Reading Community Schools  
Reading, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Reading Community Schools as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Reading Community Schools' basic financial statements and have issued our report thereon dated October 22, 2021.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Responses that we consider to be a significant deficiency (Finding 2021-001).

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Reading Community Schools' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards* (finding 2021-002).

**Reading Community Schools' Response to Findings-**

Reading Community Schools' response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. Reading Community Schools' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

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

*Bailey, Hodshire & Company, P.C.*

Jonesville, Michigan

October 22, 2021



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

To the Board of Education  
Reading Community Schools  
Reading, Michigan

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

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

**Management's Responsibility**

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

**Auditor's Responsibility**

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

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

**Opinion on Each Major Federal Program**

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

### **Report On Internal Control Over Compliance**

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

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

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying Schedule of Findings and Questioned Costs as items 2002-003 and 2002-004, that we consider to be significant deficiencies.

Reading Community Schools' response to the internal control over compliance findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Reading Community Schools' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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

*Bailey, Hodshire & Company, P.C.*

Jonesville, Michigan  
October 22, 2021