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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Reading Community Schools
Reading, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Reading Community Schools, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Reading Community Schools' basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Reading Community Schools, as of June 30, 2024, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Reading Community Schools and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Reading Community Schools' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Board of Education
Reading Community Schools

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension/OPEB information on pages 4 - 9 and 41 - 46 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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.

Supplementary 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 accompanying combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2024, 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 20, 2024

Reading Community Schools Management's Discussion and Analysis Year Ended June 30, 2024

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, 2024, with comparative information for the prior fiscal year.

Financial Highlights

- The General Fund had a net income of \$727,400 at the end of the fiscal year. At the end of the fiscal year, the fund balance for the General Fund was \$1,353,654, or approximately 8% of unrestricted revenues.
- The appropriations for the 2023-24 budget were made in June, 2023. At that time, a budget with an increase of \$17,815 was adopted. Adjustments were made throughout the year, with a final surplus of \$727,400. The foundation allowance from the state was budgeted at \$9,550 per student, while the actual foundation allowance was \$9,608. Final ESSER III Funds were used by 06/30/2024. We received 31aa mental health grant, and At-Risk funding had a substantial increase. The District received 221 Transportation funding to help offset various transportation costs.
- The District continued to use our voter approved Sinking Fund to make facility improvements and repairs. Improvements and replacements were made to various doors. The high school gym floors were refinished and repainted. One of the high school boys' bathrooms were remodeled. The elementary parking lot was extended. Other repairs to various buildings and infrastructure around the district were completed.

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 Food Service 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, 2024

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 - 40 of this report.

Reading Community Schools
Management's Discussion and Analysis
Year Ended June 30, 2024

Government-Wide Financial Analysis

The following is a summary of Reading Community Schools' net position as of June 30, 2023 and 2024:

	2023	2024
ASSETS		
Current assets	\$ 5,132,753	\$ 5,929,663
Capital assets	13,193,635	12,556,818
Total assets	\$ 18,326,388	\$ 18,486,481
DEFERRED OUTFLOWS OF RESOURCES		
Pension	\$ 3,576,886	\$ 3,322,350
Other postemployment benefits (OPEB)	1,175,572	871,273
Total deferred outflows of resources	\$ 4,752,458	\$ 4,193,623
LIABILITIES		
Current liabilities	\$ 3,770,937	\$ 3,672,459
Long-term liabilities:		
Due within one year	446,333	471,710
Due in more than one year:		
Net pension liability	15,390,943	13,601,027
Net OPEB liability (debit balance)	875,982	(237,936)
Other amounts	6,961,519	6,495,806
Total liabilities	\$ 27,445,714	\$ 24,003,066
DEFERRED INFLOWS OF RESOURCES		
Pension	\$ 488,933	\$ 1,641,399
OPEB	1,909,362	1,958,335
Total deferred inflows of resources	\$ 2,398,295	\$ 3,599,734
NET POSITION		
Net investment in capital assets	\$ 5,756,516	\$ 5,567,370
Restricted	771,772	938,422
Unrestricted	(13,293,451)	(11,428,488)
Total net position	\$ (6,765,163)	\$ (4,922,696)

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 (\$5,567,370) 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 (\$938,422) 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, 2024

The following is a summary of the changes in net position for the years ended June 30, 2023 and 2024:

	2023	2024
Program revenues:		
Charges for services	\$ 218,406	\$ 245,890
Operating grants and contributions	2,270,882	1,820,745
Capital grants and contributions	162,213	0
General revenues:		
Property taxes	1,866,077	1,961,515
State School Aid	7,575,964	8,197,779
Other	96,048	153,202
Total revenues	\$ 12,189,590	\$ 12,379,131
Functions/Program Expenses:		
Instruction	\$ 5,342,353	\$ 5,282,657
Support services	3,379,959	2,688,467
Community services	208,517	40,248
Food service activities	815,668	1,343,183
Student/school activities	49,376	69,333
Depreciation & Amortization - unallocated	677,363	883,736
Interest on long-term debt	255,349	229,040
Total expenses	\$ 10,728,585	\$ 10,536,664
Increase (decrease) in net position	\$ 1,461,005	\$ 1,842,467

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 are 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 2023-24 budget in June 2023, the projected student count was 690 students. The actual blended count was 697. A state aid foundation allowance of \$9,550 per student was budgeted, while the actual state aid foundation allowance was \$9,608. The combination of the increase in foundation allowance coupled with the increase students from what was budgeted, positively affected our budget by \$107,276.
- The General Fund actual revenues were \$9,984,315. That amount is above the original budget estimate of \$9,208,998 (was revised 02/2024 and 06/2024 for more accuracy) for a variance of \$775,317. This was due to unknown revenue, Transportation funding, additional At-Risk funding, and increase in MPSERS reimbursement funding. We received Title V funding and 31aa funding. The actual expenditures of the General Fund were \$9,258,915 which is above the original budget estimate of \$9,191,183 for a variance of \$67,732.
- The interest expense of our State Aid Note has risen significantly as federal interest rates have continued to rise

Reading Community Schools
Management's Discussion and Analysis
Year Ended June 30, 2024

Capital Asset and Debt Administration

Capital Assets - At the end of fiscal year 2024, Reading Community Schools had \$23,163,205 invested in land and buildings, furniture and equipment, and vehicles. Of this amount, \$10,606,387 in depreciation has been taken over the years. We currently have a net book value of \$12,556,818. Total capital assets consisted of:

	2023	2024
Land	\$ 84,468	\$ 84,468
Buildings and improvements	20,274,763	20,364,913
Site improvements	1,536,665	1,556,521
Furniture and equipment	531,909	618,290
Vehicles	24,459	74,991
Right to use - Vehicles	464,022	464,022
Total capital assets	\$ 22,916,286	\$ 23,163,205
Less accumulated depreciation/amortization	(9,722,651)	(10,606,387)
Net capital assets	\$ 13,193,635	\$ 12,556,818

Long-Term Debt - At June 30, 2024, Reading Community Schools had \$20,806,479 total long-term debt outstanding which consisted of the following:

	2023	2024
General obligation debts	\$ 7,400,909	\$ 6,954,576
Net pension liability	15,390,943	13,601,027
Net OPEB liability	875,982	237,936
Compensated absences	6,943	12,940
Total long term debt	\$ 23,674,777	\$ 20,806,479

Factors Bearing on the District's Future

- The District worked without an elementary principal a majority of the 2023-24 school year. We have hired a new principal for the 2024-25 school year. Our high school was without an upper math teacher for the year. Beginning with the 2024-25 all staff positions in the district have been filled.
- Our technology has been outsourced to Sabre Tech.
- We continued the staggered school starting times. Beginning with the 2023-24 we will be returning to a common start for elementary and high school. The high mileage on the buses will be an added cost in the 2024-25 school year, when our bus lease is concluded. Repair costs continue to increase.
- Food Service revenues continue to increase. Summer Food Service Program was extremely successful. This has helped increase the revenue in the food service department. All students were provided with free breakfast and lunches during 2023-24 school year. We are participating in the CEP food program again this year, allowing all students free breakfast and lunch. The State of Michigan will reimburse the balance of free and reduced meals the Federal government does not.
- Our student count continues to stabilize.
- ESSER III funding as been depleted.
- The District continues to apply for and receive various grants for safety, student mental health and food service programs. It is unknown what grants will be available in the upcoming school year.

Reading Community Schools
Management's Discussion and Analysis
Year Ended June 30, 2024

Factors Bearing on the District's Future (continued)

- 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. Our high school students have opportunities to dual enroll for college classes and attend Career Centers.
- The District would like to continue to pay down our State Aid Note as the interest rate has continued to increase.
- Future State funding looks to be less than the rate of expenses. The District will need to be conservative in spending for future years. The per student foundation allowance for 2024-25 will remain the same as 2023-24. The District should receive a decrease in MPSERS contribution rate.

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, 2024

ASSETS	
Cash & Investments	\$ 3,868,795
Accounts Receivable	1,024
Due from Other Governmental Units	2,038,286
Inventory	9,632
Prepaid Expense	11,926
Capital Assets, Net of Accumulated Depreciation/Amortization	12,556,818
Total Assets	<u>\$ 18,486,481</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension	\$ 3,322,350
OPEB	871,273
Total Deferred Outflows of Resources	<u>\$ 4,193,623</u>
LIABILITIES	
Accounts Payable	\$ 25,638
Salaries & Benefits Payable	684,221
Interest Payable	140,784
Unearned Revenue	321,816
Notes Payable	2,500,000
Long-Term Liabilities:	
Due Within One Year	471,710
Due in More Than One Year:	
Net Pension Liability	13,601,027
Net OPEB Liability (debit balance)	(237,936)
Other Amounts Due In More Than One Year	6,495,806
Total Liabilities	<u>\$ 24,003,066</u>
DEFERRED INFLOWS OF RESOURCES	
Pension	\$ 1,641,399
OPEB	1,958,335
Total Deferred Inflows of Resources	<u>\$ 3,599,734</u>
NET POSITION	
Net Investment in Capital Assets	\$ 5,567,370
Restricted for:	
Food Service	62,431
Student/School Activities	70,507
Debt Service	233,975
Capital Outlay	571,509
Unrestricted	(11,428,488)
Total Net Position	<u><u>\$ (4,922,696)</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, 2024**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants & Contributions</u>	<u>Capital Grants & Contributions</u>	
Instruction					
Basic Programs					
GSRP	\$ 133,514	\$ 1,300	\$ 0	\$ 0	\$ (132,214)
Elementary School	2,150,813	0	129,978	0	(2,020,835)
Middle School	475,944	0	0	0	(475,944)
High School	1,374,689	0	60,153	0	(1,314,536)
Added Needs					
Special Education	593,538	0	0	0	(593,538)
Compensatory Education	554,159	0	240,841	0	(313,318)
Support Services					
Pupil Services	392,729	0	0	0	(392,729)
Instructional Staff	215,539	0	0	0	(215,539)
General Administration	360,862	0	0	0	(360,862)
School Administration	533,136	0	0	0	(533,136)
Business Services	312,715	0	0	0	(312,715)
Operation & Maintenance	1,023,600	24,985	0	0	(998,615)
Pupil Transportation	556,055	13,400	0	0	(542,655)
Central Services	129,870	0	0	0	(129,870)
Athletic Activities	307,521	67,096	20,310	0	(220,115)
Change in Pension & OPEB	(1,143,560)	0	0	0	1,143,560
Community Services					
Community Activities	40	0	0	0	(40)
Custody and Care of Children	40,208	28,506	0	0	(11,702)
Food Service	1,343,183	35,191	1,369,463	0	61,471
Student/School Activities	69,333	75,412	0	0	6,079
Depreciation & Amortization - Unallocated	883,736	0	0	0	(883,736)
Debt Service - Interest and Other Costs	229,040	0	0	0	(229,040)
Total Governmental Activities	<u>\$ 10,536,664</u>	<u>\$ 245,890</u>	<u>\$ 1,820,745</u>	<u>\$ 0</u>	<u>\$ (8,470,029)</u>

General Revenues:

Property Tax, levied for general purposes	\$ 1,031,037
Property Tax, levied for debt service	583,183
Property Tax, levied for sinking fund	347,295
State School Aid	8,197,779
Investment earnings	68,781
Miscellaneous	84,421
Total General Revenues	<u>\$ 10,312,496</u>
Change in Net Position	\$ 1,842,467
Net Position – Beginning	<u>(6,765,163)</u>
Net Position - Ending	<u>\$ (4,922,696)</u>

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

READING COMMUNITY SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2024

	General Fund	Food Service Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash & Investments	\$ 2,963,267	\$ 97,849	\$ 807,679	\$ 3,868,795
Accounts Receivable	0	1,024	0	1,024
Due from Other Governmental Units	2,038,286	0	0	2,038,286
Due from Other Funds	40,678	0	68,312	108,990
Inventory	0	9,632	0	9,632
Prepaid Expenditures	10,499	1,427	0	11,926
Total Assets	<u>\$ 5,052,730</u>	<u>\$ 109,932</u>	<u>\$ 875,991</u>	<u>\$ 6,038,653</u>
LIABILITIES				
Accounts Payable	\$ 22,856	\$ 2,782	\$ 0	\$ 25,638
Due to Other Funds	68,312	40,678	0	108,990
Salaries & Benefits Payable	683,817	404	0	684,221
Interest Payable	105,912	0	0	105,912
Unearned Revenue	318,179	3,637	0	321,816
Notes Payable	2,500,000	0	0	2,500,000
Total Liabilities	<u>\$ 3,699,076</u>	<u>\$ 47,501</u>	<u>\$ 0</u>	<u>\$ 3,746,577</u>
FUND BALANCES				
Nonspendable	\$ 13,194	\$ 11,059	\$ 0	\$ 24,253
Restricted	0	51,372	805,484	856,856
Committed	0	0	70,507	70,507
Assigned	46,746	0	0	46,746
Unassigned	1,293,714	0	0	1,293,714
Total Fund Balances	<u>\$ 1,353,654</u>	<u>\$ 62,431</u>	<u>\$ 875,991</u>	<u>\$ 2,292,076</u>
Total Liabilities and Fund Balances	<u>\$ 5,052,730</u>	<u>\$ 109,932</u>	<u>\$ 875,991</u>	<u>\$ 6,038,653</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, 2024

Fund Balances - total governmental funds	\$ 2,292,076
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.	23,163,205
Accumulated depreciation/amortization has not been included in the governmental fund financial statements.	(10,606,387)
Bonds payable, installment loans, and lease obligations are not due and payable in the current period and, therefore, are not reported in the funds.	(6,954,576)
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.	(34,872)
Compensated absences are accrued in the government-wide financial statements whereas in the governmental fund financial statements, an expenditure is reported when paid.	(12,940)
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	3,322,350
Deferred Inflows – Pension	(1,641,399)
Net Pension Liability	(13,601,027)
Deferred Outflows – OPEB	871,273
Deferred Inflows – OPEB	(1,958,335)
Net OPEB Liability	237,936
Net position of governmental activities	\$ (4,922,696)

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, 2024

	General Fund	Food Service Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
REVENUE				
Local Sources	\$ 1,302,789	\$ 54,812	\$ 1,023,103	\$ 2,380,704
State Sources	8,197,779	134,689	0	8,332,468
Federal Sources	431,185	1,234,774	0	1,665,959
Total Revenue	<u>\$ 9,931,753</u>	<u>\$ 1,424,275</u>	<u>\$ 1,023,103</u>	<u>\$12,379,131</u>
EXPENDITURES				
Instruction				
Basic Programs				
GSRP	\$ 133,514	\$ 0	\$ 0	\$ 133,514
Elementary	2,150,813	0	0	2,150,813
Middle School	475,944	0	0	475,944
High School	1,374,689	0	0	1,374,689
Added Needs				
Special Education	593,538	0	0	593,538
Compensatory Education	554,159	0	0	554,159
Support Services				
Pupil Services	392,729	0	0	392,729
Instructional Staff	215,539	0	0	215,539
General Administration	360,862	0	0	360,862
School Administration	533,136	0	0	533,136
Business Services	312,715	0	0	312,715
Operation & Maintenance	935,030	0	0	935,030
Pupil Transportation	556,055	0	0	556,055
Central Services	123,873	0	0	123,873
Athletic Activities	307,521	0	0	307,521
Community Services				
Community Activities	40	0	0	40
Custody and Care of Children	40,208	0	0	40,208

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, 2024
(continued)

	General Fund	Food Service Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
EXPENDITURES (continued)				
Food Service	\$ 0	\$ 1,262,310	\$ 0	\$ 1,262,310
Student/School Activities	0	0	69,333	69,333
Debt Service	0	0	543,057	543,057
Capital Outlay - Depreciable	62,896	108,429	75,594	246,919
Capital Outlay - Nondepreciable	0	80,873	88,570	169,443
Total Expenditures	<u>\$ 9,123,261</u>	<u>\$ 1,451,612</u>	<u>\$ 776,554</u>	<u>\$ 11,351,427</u>
REVENUE OVER (UNDER) EXPENDITURES	<u>\$ 808,492</u>	<u>\$ (27,337)</u>	<u>\$ 246,549</u>	<u>\$ 1,027,704</u>
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	\$ 52,562	\$ 0	\$ 0	\$ 52,562
Operating Transfers Out	0	(52,562)	0	(52,562)
Other Sources	0	0	0	0
Other Uses	(133,654)	0	0	(133,654)
Total Other Financing Sources (Uses)	<u>\$ (81,092)</u>	<u>\$ (52,562)</u>	<u>\$ 0</u>	<u>\$ (133,654)</u>
REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	\$ 727,400	\$ (79,899)	\$ 246,549	\$ 894,050
FUND BALANCES – Beginning	626,254	142,330	629,442	1,398,026
FUND BALANCES – Ending	<u><u>\$ 1,353,654</u></u>	<u><u>\$ 62,431</u></u>	<u><u>\$ 875,991</u></u>	<u><u>\$ 2,292,076</u></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, 2024

Net changes in fund balances - total governmental funds \$ 894,050

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 (or amortization) expense.

Purchase/acquistion of capital assets	246,919
Depreciation & amortization expense	(883,736)

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	438,192
Amortization of bond premiums and discounts	8,141

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	382,914
Change in net OPEB liability and related deferred amounts	760,646
Change in accrued interest payable on bonds and notes payable	1,338
Change in the accrual for compensated absences	(5,997)

Change in net position of governmental activities	\$ 1,842,467
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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, 2024

	Custodial <u>Funds</u>
ASSETS	
Cash and cash equivalents	\$ 27,398
NET POSITION	
Restricted for student organizations	\$ 27,398

READING COMMUNITY SCHOOLS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE YEAR ENDED JUNE 30, 2024

	Custodial <u>Funds</u>
ADDITIONS	
Student activity income	\$ 46,105
DEDUCTIONS	
Payments made on behalf of student organizations	(43,096)
CHANGE IN NET POSITION	\$ 3,009
NET POSITION - Beginning	24,389
NET POSITION - Ending	\$ 27,398

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

READING COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

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, 2024

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.

Food Service Fund – This fund is to be used to record all receipts from the sale of lunches, Federal and State reimbursement, gifts, and other receipts. The Food Service fund is also used to record all disbursements for personnel, food supplies, and equipment for the school lunch program.

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. student/school activities).

Capital Projects Fund: Sinking Fund – This Capital Projects fund is used to account for financial resources from the 1.8806-mill tax levy for the upgrade and remodeling of the District's buildings and facilities.

READING COMMUNITY SCHOOLS
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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, 2024, 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, 2024

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, 2024

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.

Sinking Fund

In accordance with 1212(1) of the Michigan School Code, the District received voter approval in November, 2022, 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.

READING COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

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, 2024, 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, 2024, were as follows:

	Governmental Activities	Fiduciary Funds	Total Government
Checking accounts	\$ 326,652	\$ 27,398	\$ 354,050
Savings accounts	3,391,122	0	3,391,122
	\$ 3,717,774	\$ 27,398	\$ 3,745,172

The District had the following investments at June 30, 2024:

	Fair Value	Weighted Average Maturity (Years)	Standard & Poor's Rating	% of Total
Michigan Liquid Asset Fund Plus	\$ 151,021	0.0027	AAAm	100%

One day maturity equals 0.0027, one year equals 1.00

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.

READING COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 3 - DEPOSITS AND INVESTMENTS (continued)

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, 2024, \$1,463,910 of the District’s bank balance of \$5,033,456 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, 2024, 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:

	General Fund	Food Service Fund
State Aid	\$ 1,452,629	\$ 0
Federal Grants	434,050	0
Other	151,607	1,024
Total	\$ 2,038,286	\$ 1,024

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	\$ 318,179
Food Service Fund	3,637
Total	\$ 321,816

**READING COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2024, 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	\$ 20,274,763	\$ 90,150	\$ 0	\$ 20,364,913
Site Improvements	1,536,665	26,943	0	1,563,608
Furniture & Equipment	531,909	79,294	0	611,203
Vehicles	24,459	50,532	0	74,991
Right to use-Vehicles	464,022	0	0	464,022
Subtotal	\$ 22,831,818	\$ 246,919	\$ 0	\$ 23,078,737
Accumulated depreciation/amortization				
Buildings & Improvements	\$ (8,306,961)	\$ (684,246)	\$ 0	\$ (8,991,207)
Site Improvements	(883,656)	(47,984)	0	(931,640)
Furniture & Equipment	(287,791)	(31,423)	0	(319,214)
Vehicles	(12,231)	(4,077)	0	(16,308)
Right to use-Vehicles	(232,012)	(116,006)	0	(348,018)
Subtotal	\$ (9,722,651)	\$ (883,736)	\$ 0	\$ (10,606,387)
Total capital assets being depreciated/amortized, net	\$ 13,109,167	\$ (636,817)	\$ 0	\$ 12,472,350
Total capital assets, net	\$ 13,193,635	\$ (636,817)	\$ 0	\$ 12,556,818

Depreciation and amortization expense for the fiscal year ended June 30, 2024, was \$636,817. The District has determined that it is impractical to allocate depreciation and amortization 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, 2024, is as follows:

Fund	Interfund Receivable	Fund	Interfund Payable
General Fund	\$ 40,678	Food Service Fund	\$ 40,678
Sinking Fund	25,497	General Fund	25,497
2020 Debt Service Fund	26,760	General Fund	26,760
2012 Debt Service Fund	16,055	General Fund	16,055
	<u>\$ 108,990</u>		<u>\$ 108,990</u>

Interfund transfers during the year consisted of the following:

Transfer from Food Service Fund to General Fund	\$ 52,562
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This Food Service transfer was for current year indirect cost reimbursement.

READING COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 7 - SHORT-TERM DEBT

The following table outlines the District's short-term debt activity for the year ended June 30, 2024:

Balance June 30, 2023	Additions	Payments	Balance June 30, 2024
\$ 2,500,000	\$ 2,500,000	\$ (2,500,000)	\$ 2,500,000

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 - LEASES

During the 2022 fiscal year, the District entered into a four-year lease agreement as lessee for the use of 8 school buses. An initial lease liability was recorded in the amount of \$464,022. As of June 30, 2024, the value of the lease liability was \$118,569. The District is required to make annual principal and interest payments of \$118,569. The lease has an interest rate of 4.75%. The value of the right-to-use asset as of the end of the current fiscal year was \$464,022 and had accumulated amortization of \$348,018.

NOTE 10 - 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. Other long-term debt obligations include leases, pensions, OPEB, and compensated absences.

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

	Balance 06/30/23	Increases	Payments/ Reductions	Balance 06/30/24	Amounts Due Within One Year
2012 Refunding Bonds and Premium	\$ 1,003,138	\$ 0	\$ (252,035)	\$ 751,103	\$ 252,035
2020 School Building & Site Bonds and Premium	2,650,776	0	(62,673)	2,588,103	57,673
2022 School Building & Site Bonds and Premium	3,515,234	0	(18,433)	3,496,801	43,433
Leased Assets	231,761	0	(113,192)	118,569	118,569
Net Pension Liability	15,390,943	0	(1,789,916)	13,601,027	0
Net OPEB Liability (debit balance)	875,982	0	(1,113,918)	(237,936)	0
Compensated Absences	6,943	5,997	0	12,940	0
	<u>\$ 23,674,777</u>	<u>\$ 5,997</u>	<u>\$ (3,350,167)</u>	<u>\$ 20,330,607</u>	<u>\$ 471,710</u>

READING COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 10 - LONG-TERM DEBT (continued)

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2025	\$ 471,710	\$ 214,863
2026	383,141	200,045
2027	408,139	189,395
2028	356,106	176,719
2029	356,106	161,819
2030-2034	1,464,424	501,175
2035-2039	1,930,530	370,425
2040-2042	1,584,420	107,731
Total	<u>\$ 6,954,576</u>	<u>\$ 1,922,172</u>

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

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%	\$ 745,000
Plus: Bond Premium	6,103
\$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%	2,540,000
Plus: Bond Premium (net)	48,103
\$3,450,000 Building & Site Bonds due in annual installments of \$15,000 to \$220,000 through May 1, 2042; interest from 3.125% to 5.0%	3,435,000
Plus: Bond Premium (net)	61,801
Vehicle lease	118,569
Net pension liability	13,601,027
Net OPEB liability (debit balance)	(237,936)
Compensated absences	12,940
Total long-term debt	<u>\$ 20,330,607</u>

NOTE 11 - 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 2023 was 17.47520 mills on non-homestead valuation for operational purposes, 1.858 mills on total valuation for Sinking Fund, and 3.12 mills on total valuation for debt retirement. The 2023 taxable valuation of the District totaled approximately \$203,542,000.

READING COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 12 – PENSION PLAN

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 and a fiduciary component unit of 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).

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 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 1.50%. 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, 2022 valuation will be amortized over an 16-year period beginning October 1, 2022 and ending September 30, 2038.

READING COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 12 – PENSION PLAN (continued)

The schedule below summarizes pension contribution rates in effect for fiscal year ended September 30, 2023:

Pension Contribution Rates

<u>Benefit Structure</u>	<u>Member</u>	<u>Employer</u>
Basic	0.0 – 4.0 %	20.16 %
Member Investment Plan	3.0 – 7.0 %	20.16 %
Pension Plus	3.0 – 6.4 %	17.24 %
Pension Plus 2	6.2 %	19.95 %
Defined Contribution	0.0 %	13.75 %

Regular contributions to the pension plan from Reading Community Schools were \$1,514,537 for the year ended September 30, 2023.

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

At June 30, 2024, Reading Community Schools reported a liability of \$13,601,027 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2022. 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, 2023, the Reading Community Schools’ proportion was .042022497% which was an increase of .00109862% from its proportion measured at September 30, 2022.

For the year ended June 30, 2024, Reading Community Schools recognized pension expense of \$1,561,438. At June 30, 2024, Reading Community Schools reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between actual and expected experience	\$ 429,343	\$ 20,835
Changes of assumptions	1,843,001	1,062,633
Net difference between projected and actual earnings on pension plan investments	0	278,321
Changes in proportion and differences between Employer contributions and proportionate share of contributions	262,439	279,610
Employer contributions subsequent to the measurement date	<u>787,567</u>	<u>0</u>
Total	<u>\$ 3,322,350</u>	<u>\$ 1,641,399</u>

READING COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 12 – PENSION PLAN (continued)

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, 2025. 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)**

<u>Plan year Ending September 30:</u>	<u>Amount</u>
2024	\$ 213,256
2025	204,940
2026	643,111
2027	(167,923)

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, 2022
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	
- MIP Basic Plans	6.00% net of investment expenses
- Pension Plus Plan	6.00% net of investment expenses
- Pension Plus 2	6.00% net of investment expenses
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: PubT-2010 Male and Female Retiree Mortality Tables, scaled by 116% for males and 116% for females and adjusted for mortality improvements using projection scale MP-2021 from 2010
	Active : PubT-2010 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2021 from 2010.

READING COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 12 – PENSION PLAN (continued)

Notes:

- Assumption changes as a result of an experience study for the periods 2017 through 2022 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2023 valuation. The total pension liability as of September 30, 2023, is based on the results of an actuarial valuation date of September 30, 2022, 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: 4.4406
- Recognition period for assets in years: 5.0000
- Full actuarial assumptions are available in the 2023 MPSERS Comprehensive Annual Financial Report found on the ORS website at michigan.gov/orsschools

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, 2023, 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%	5.8%
Private Equity Pools	16.0	9.6
International Equity	15.0	6.8
Fixed Income Pools	13.0	1.3
Real Estate and Infrastructure Pools	10.0	6.4
Absolute Return Pools	9.0	4.8
Real Return/Opportunistic Pools	10.0	7.3
Short Term Investment Pools	2.0	0.3
Total	100.00%	

*Long term rates of return are net of administrative expenses and 2.7% inflation

Rate of Return

For the fiscal year ended September 30, 2023, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 8.29%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

READING COMMUNITY SCHOOLS
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2024

NOTE 12 – PENSION PLAN (continued)

Discount Rate

A discount rate of 6.00% was used to measure the total pension liability (6.00% for the Pension Plus Plan, 6.0% for the Pension Plus 2 Plan). This discount rate was based on the long term expected rate of return on pension plan investments of 6.0% (6.0% 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.

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 6.00% (6.00% for the Pension Plus plan, 6.00% 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 5.00%	Current Single Discount Rate Assumption 6.00%	1% Increase 7.00%
\$18,374,948	\$13,601,027	\$9,626,565

Michigan Public School Employees’ Retirement System (MPSERS) Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued MPSERS CAFR, available on the ORS website at michigan.gov/orsschools.

NOTE 13 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB)

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 and a fiduciary component unit of 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

READING COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 13– POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

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 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 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 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

**READING COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 13– POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

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, 2022 valuation will be amortized over an 16-year period beginning October 1, 2022 and ending September 30, 2038.

The schedule below summarizes OPEB contribution rates in effect for fiscal year ended September 30, 2023.

<u>Benefit Structure</u>	<u>OPEB Contribution Rates</u>	
	<u>Member</u>	<u>Employer</u>
Premium Subsidy	3.0 %	8.07 %
Personal Healthcare Fund (PHF)	0.0 %	7.21 %

Required contributions to the OPEB plan from Reading Community Schools were \$327,650 for the year ended September 30, 2023.

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

At June 30, 2024, Reading Community Schools reported a liability of \$(237,936) (debit balance) for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2022. 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, 2023, Reading Community Schools' proportion was .04206060%, which was an increase of .00070289% from its proportion measured as of October 1, 2022.

For the year ending June 30, 2024, Reading Community Schools recognized OPEB expense of \$(445,312). At June 30, 2024, 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	\$ 1,797,968
Changes of Assumptions	529,687	63,784
Net difference between projected and actual earnings on OPEB plan investments	725	0
Changes in proportion and differences between employer contributions and proportionate share of contributions	29,249	96,583
Employer contributions subsequent to the measurement date	<u>311,612</u>	<u>0</u>
Total	<u>\$ 871,273</u>	<u>\$ 1,958,335</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, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

READING COMMUNITY SCHOOLS
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2024

NOTE 13– POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)
Deferred (Inflow) and Deferred Outflow of Resources by Year (To Be Recognized in Future OPEB Expenses)

Plan year ending September 30:

2024	\$ (473,034)
2025	(436,347)
2026	(162,491)
2027	(152,038)
2028	(115,812)
Thereafter	(58,952)

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, 2022
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	6.00% net of investment expenses
Projected Salary Increases:	2.75% - 11.55%, including wage inflation at 2.75%
Healthcare Cost Trend Rate:	Pre-65: 7.75% Year 1 graded to 3.5% year 15 Post-65: 6.25% Year 1 graded to 3.5% Year 15
Mortality: Retirees:	PubT-2010 Male and Female Retiree Mortality Tables, scaled by 116% for males and 116% for females and adjusted for mortality improvements using projection scale MP-2021 from 2010.
Active:	PubT-2010 Male and Female Employee Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2021 from 2010.
Other Assumptions:	
Opt Out Assumption	21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan
Survivor Coverage	80% of male retirees and 67% of female retirees are assumed to have 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.

**READING COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 13– POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

Notes:

- Assumption changes as a result of an experience study for the period 2017 through 2022 have been adopted by the System for use in the annual OPEB valuations beginning with the September 30, 2023 valuation. The total OPEB liability as of September 30, 2023, is based on the results of an actuarial valuation date of September 30, 2022, 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: 6.5099
- Recognition period for assets in years is 5.0000
- Full actuarial assumptions are available in the 2023 MPSERS Comprehensive Annual Financial Report found on the ORS website at michigan.gov/orsschools.

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, 2023, 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%	5.8%
Private Equity Pools	16.0	9.6
International Equity	15.0	6.8
Fixed Income Pools	13.0	1.3
Real Estate and Infrastructure Pools	10.0	6.4
Absolute Return Pools	9.0	4.8
Real Return/Opportunistic Pools	10.0	7.3
Short-Term Investment Pools	2.0	0.3
TOTAL	100.0%	

**Long-term rates of return are net of administrative expenses and 2.7% inflation.*

Rate of Return

For the fiscal year ended September 30, 2023, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 7.94%. 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 6.00% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 6.00%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that 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

READING COMMUNITY SCHOOLS
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2024

NOTE 13– POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

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 6.00%, 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:

1% Decrease	Current Discount Rate	1% Increase
5.00%	6.00%	7.00%
\$246,668	\$(237,936)	\$(654,406)

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
\$(655,455)	\$(237,936)	\$213,945

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued 2023 MPSERS CAFR, available on the ORS website at michigan.gov/orsschools.

NOTE 14 - 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.

READING COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 15– FUND BALANCE CONSTRAINTS

Fund balances have been constrained for the following purposes as of June 30, 2024:

	General Fund	Food Service Fund	Student/ School Activities Fund	Sinking Fund	Debt Service Funds
Nonspendable:					
Inventory	\$ 0	\$ 9,632	\$ 0	\$ 0	\$ 0
Prepaid Expenditures	13,194	1,427	0	0	0
Restricted:					
Capital Outlay	0	0	0	571,509	0
Food Service	0	51,372	0	0	0
Debt Service	0	0	0	0	233,975
Committed:					
Student/School Activities	0	0	70,507	0	0
Assigned:					
Athletics	46,746	0	0	0	0

NOTE 16 - 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 17- COMMITMENTS

At its April, 2024, meeting, the School Board approved the borrowing of up to \$2,500,000 in anticipation of State Aid for the 2024-25 school year.

NOTE 18 – 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 \$26,139.

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 19 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 20, 2024, the date on which the financial statements were available to be issued.

NOTE 20 – UPCOMING ACCOUNTING PRONOUNCEMENTS

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used by not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered,

READING COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 20 – UPCOMING ACCOUNTING PRONOUNCEMENTS (continued)

(b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee’s pay rate as of the date of the financial statements. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2024-2025 fiscal year.

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

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

- a. Management’s discussion and analysis (MD&A)
 - i. Requires that the information presented in MD&A be limited to the related topics discussed in five specific sections:
 - 1) Overview of the Financial Statements,
 - 2) Financial Summary,
 - 3) Detailed Analyses,
 - 4) Significant Capital Asset and Long-Term Financing Activity,
 - 5) Currently Known Facts, Decisions, or Conditions
 - ii. Stresses detailed analyses should explain why balances and results of operations changed rather than simply presenting the amounts or percentages by which they changed
 - iii. Removes the requirement for discussion of significant variations between original and final budget amounts and between final budget amounts and actual results
- b. Unusual or infrequent items
- c. Presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position
 - i. Requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses and clarifies the definition of operating and nonoperating revenues and expenses
 - ii. Requires that a subtotal for operating income (loss) and noncapital subsidies be presented before reporting other nonoperating revenues and expenses and defines subsidies
- d. Information about major component units in basic financial statements should be presented separately in the statement of net position and statement of activities unless it reduces the readability of the statements in which case combining statements of should be presented after the fund financial statements.

READING COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 20 – UPCOMING ACCOUNTING PRONOUNCEMENTS (continued)

- e. Budgetary comparison information should include variances between original and final budget amounts and variances between final budget and actual amounts with explanations of significant variances required to be presented in the notes to RSI.

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

READING COMMUNITY SCHOOLS
SCHEDULE OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2024

	Budget		Actual	Actual
	Original	Final		Over (Under) Final Budget
REVENUE				
Local Sources	\$ 1,243,632	\$ 1,326,333	\$ 1,302,789	\$ (23,544)
State Sources	7,449,216	8,126,153	8,197,779	71,626
Federal Sources	491,150	496,543	431,185	(65,358)
Total Revenue	<u>\$ 9,183,998</u>	<u>\$ 9,949,029</u>	<u>\$ 9,931,753</u>	<u>\$ (17,276)</u>
EXPENDITURES				
Instruction				
Basic Programs	\$ 4,105,341	\$ 4,190,614	\$ 4,134,960	\$ (55,654)
Added Needs	1,252,550	1,269,622	1,147,697	(121,925)
Support Services				
Pupil Services	427,898	417,367	392,729	(24,638)
Instructional Staff	200,294	234,460	215,539	(18,921)
General Administration	318,385	366,435	360,862	(5,573)
School Administration	521,023	547,593	533,136	(14,457)
Business Services	212,550	583,146	312,715	(270,431)
Operation & Maintenance	1,025,423	987,161	935,030	(52,131)
Pupil Transportation	500,078	655,612	556,055	(99,557)
Central Services	145,156	127,585	123,873	(3,712)
Athletic Activities	310,450	326,575	307,521	(19,054)
Community Services	35,400	46,391	40,248	(6,143)
Capital Outlay	0	65,000	62,896	(2,104)
Total Expenditures	<u>\$ 9,054,548</u>	<u>\$ 9,817,561</u>	<u>\$ 9,123,261</u>	<u>\$ (694,300)</u>
REVENUE OVER (UNDER) EXPENDITURES	<u>\$ 129,450</u>	<u>\$ 131,468</u>	<u>\$ 808,492</u>	<u>\$ 677,024</u>
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	\$ 25,000	\$ 25,000	\$ 52,562	\$ 27,562
Operating Transfers Out	0	0	0	0
Other Sources	0	0	0	0
Other Uses	(136,635)	(141,435)	(133,654)	7,781
Total Other Financing Sources (Uses)	<u>\$ (111,635)</u>	<u>\$ (116,435)</u>	<u>\$ (81,092)</u>	<u>\$ 35,343</u>
REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ 17,815</u>	<u>\$ 15,033</u>	<u>\$ 727,400</u>	<u>\$ 712,367</u>
FUND BALANCES - Beginning	626,254	626,254	626,254	0
FUND BALANCES - Ending	<u>\$ 644,069</u>	<u>\$ 641,287</u>	<u>\$ 1,353,654</u>	<u>\$ 712,367</u>

READING COMMUNITY SCHOOLS
SCHEDULE OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
FOOD SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2024

	Budget		Actual	Actual
	Original	Final		Over (Under) Final Budget
REVENUE				
Local Sources	\$ 35,500	\$ 33,550	\$ 54,812	\$ 21,262
State Sources	41,000	189,155	134,689	(54,466)
Federal Sources	865,000	1,257,946	1,234,774	(23,172)
Total Revenue	<u>\$ 941,500</u>	<u>\$ 1,480,651</u>	<u>\$ 1,424,275</u>	<u>\$ (56,376)</u>
EXPENDITURES				
Salaries	\$ 208,000	\$ 270,800	\$ 265,436	\$ (5,364)
Employee Benefits	147,160	199,300	193,918	(5,382)
Purchased Services	5,000	23,000	21,456	(1,544)
Supplies & Materials	508,000	737,593	773,782	36,189
Other	2,150	8,100	7,718	(382)
Capital Outlay - Depreciable	43,500	110,000	108,429	(1,571)
Capital Outlay - Nondepreciable	0	81,365	80,873	(492)
Total Expenditures	<u>\$ 913,810</u>	<u>\$ 1,430,158</u>	<u>\$ 1,451,612</u>	<u>\$ 21,454</u>
REVENUE OVER (UNDER) EXPENDITURES	<u>\$ 27,690</u>	<u>\$ 50,493</u>	<u>\$ (27,337)</u>	<u>\$ (77,830)</u>
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	\$ 0	\$ 0	\$ 0	\$ 0
Operating Transfers Out	(20,000)	(30,000)	(52,562)	(22,562)
Other Sources	0	0	0	0
Other Uses	0	0	0	0
Total Other Financing Sources (Uses)	<u>\$ (20,000)</u>	<u>\$ (30,000)</u>	<u>\$ (52,562)</u>	<u>\$ (22,562)</u>
REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ 7,690</u>	<u>\$ 20,493</u>	<u>\$ (79,899)</u>	<u>\$ (100,392)</u>
FUND BALANCES - Beginning	<u>142,330</u>	<u>142,330</u>	<u>142,330</u>	<u>0</u>
FUND BALANCES - Ending	<u>\$ 150,020</u>	<u>\$ 162,823</u>	<u>\$ 62,431</u>	<u>\$ (100,392)</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)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
A. District's proportion of net pension liability (%)	0.04202249%	0.04092387%	0.04162069%	0.04249294%	0.04402283%	0.04412723%	0.04316122%	0.04172763%	0.04441698%	0.04254%
B. District's proportionate share of net pension liability	\$ 13,601,027	\$ 15,390,943	\$ 9,853,870	\$ 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	\$ 4,251,785	\$ 4,056,535	\$ 3,793,787	\$ 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	300.79%	379.41%	259.74%	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	65.91%	60.77%	72.60%	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)

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
A. Statutorily required contributions	\$ 1,005,542	\$ 957,244	\$ 952,773	\$ 918,905	\$ 920,555	\$ 946,643	\$ 928,732	\$ 895,985	\$ 868,852	\$ 944,571
B. Contributions in relation to statutorily required contributions	<u>1,005,542</u>	<u>957,244</u>	<u>952,773</u>	<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>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
D. District's covered-employee payroll	\$ 4,332,079	\$ 4,195,289	\$ 4,030,519	\$ 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	23.22%	22.82%	23.64%	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)

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
A. District's proportion of net OPEB liability (%)				0.0420606%	0.0413577%	0.0415119%	0.0418803%	0.0438309%	0.0445603%	0.0433469%
B. District's proportionate share of net OPEB liability				\$ (237,936)	\$ 875,982	\$ 633,628	\$ 2,243,637	\$ 3,146,073	\$ 3,542,080	\$ 3,838,376
C. District's covered payroll (OPEB)				\$ 4,251,785	\$ 4,056,535	\$ 3,793,787	\$ 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 (%)				-5.56%	21.59%	16.70%	60.01%	81.74%	93.03%	102.23%
E. Plan fiduciary net position as a percentage of total OPEB liability				105.04%	83.09%	87.33%	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				\$ 403,043	\$ 398,134	\$ 392,438	\$ 372,991	\$ 372,214	\$ 380,811	\$ 354,740
B. OPEB Contributions in relation to statutorily required contributions				<u>403,043</u>	<u>398,134</u>	<u>392,438</u>	<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>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
D. District's covered-employee payroll (OPEB)				\$ 4,332,079	\$ 4,195,289	\$ 4,030,519	\$ 3,721,473	\$ 3,760,121	\$ 3,865,602	\$ 3,790,737
E. OPEB Contributions as a percentage of covered payroll				9.31%	9.49%	9.74%	10.02%	9.90%	9.85%	9.36%

READING COMMUNITY SCHOOLS
Notes to Required Supplementary Information
For the Year Ended June 30, 2024

Pension Information

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

Changes of benefit assumptions: There were no changes of benefit assumptions in FY 2023.

OPEB Information

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

Changes of benefit assumptions: There were no changes of benefit assumptions in FY 2023.

READING COMMUNITY SCHOOLS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2024

	Special Revenue Fund	Capital Projects Fund
	Student/School Activities	Sinking Fund
ASSETS		
Cash & Investments	\$ 70,507	\$ 546,012
Accounts Receivable	0	0
Due from Other Funds	0	25,497
Inventory	0	0
Prepaid Expenditures	0	0
Total Assets	\$ 70,507	\$ 571,509
LIABILITIES		
Accounts Payable	\$ 0	\$ 0
Due to Other Funds	0	0
Unearned Revenue	0	0
Total Liabilities	\$ 0	\$ 0
FUND BALANCE		
Nonspendable	\$ 0	\$ 0
Restricted	0	571,509
Committed	70,507	0
Assigned	0	0
Unassigned	0	0
Total Fund Balances	\$ 70,507	\$ 571,509
Total Liabilities and Fund Balances	\$ 70,507	\$ 571,509

Debt Retirement Funds		Total Nonmajor Governmental Funds
2020 Debt Service	2012 Debt Service	
\$ 174,017	\$ 17,143	\$ 261,667
0	0	0
26,760	16,055	42,815
0	0	0
0	0	0
<u>\$ 200,777</u>	<u>\$ 33,198</u>	<u>\$ 304,482</u>
\$ 0	\$ 0	\$ 0
0	0	0
0	0	0
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 0	\$ 0	\$ 0
200,777	33,198	233,975
0	0	70,507
0	0	0
0	0	0
<u>\$ 200,777</u>	<u>\$ 33,198</u>	<u>\$ 304,482</u>
<u>\$ 200,777</u>	<u>\$ 33,198</u>	<u>\$ 304,482</u>

READING COMMUNITY SCHOOLS
 COMBINING STATEMENT OF REVENUE, EXPENDITURES
 AND CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2024

	Special Fund	Capital Projects Fund
	Student/School Activities	Sinking Fund
REVENUE		
Property Taxes	\$ 0	\$ 347,295
Student/School Activities	75,412	0
Interest Income	0	480
Miscellaneous Income	0	5,818
	<u>\$ 75,412</u>	<u>\$ 353,593</u>
EXPENDITURES		
Other	\$ 0	\$ 0
Student/School Activities	69,333	0
Redemption of Principal	0	0
Interest on Debt	0	0
Capital Outlay – Depreciable	0	75,594
Capital Outlay - Nondepreciable	0	88,570
	<u>\$ 69,333</u>	<u>\$ 164,164</u>
Excess of Revenue Over (Under) Expenditures	<u>\$ 6,079</u>	<u>\$ 189,429</u>
OTHER FINANCING SOURCES (USES)		
Operating Transfers In	\$ 0	\$ 0
Operating Transfers Out	0	0
Total Other Financing Sources (Uses)	<u>\$ 0</u>	<u>\$ 0</u>
Net Change in Fund Balances	\$ 6,079	\$ 189,429
FUND BALANCES - Beginning	<u>64,428</u>	<u>382,080</u>
FUND BALANCES - Ending	<u>\$ 70,507</u>	<u>\$ 571,509</u>

Debt Retirement Funds		Total Nonmajor
2020 Debt	2012 Debt	Governmental
Service	Service	Funds
\$ 364,417	\$ 218,766	\$ 930,478
0	0	75,412
526	618	1,624
6,107	3,664	15,589
<u>\$ 371,050</u>	<u>\$ 223,048</u>	<u>\$ 1,023,103</u>
\$ 1,134	\$ 577	\$ 1,711
0	0	69,333
75,000	250,000	325,000
192,409	23,937	216,346
0	0	75,594
0	0	88,570
<u>\$ 268,543</u>	<u>\$ 274,514</u>	<u>\$ 776,554</u>
<u>\$ 102,507</u>	<u>\$ (51,466)</u>	<u>\$ 246,549</u>
\$ 0	\$ 0	\$ 0
0	0	0
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 102,507	\$ (51,466)	\$ 246,549
98,270	84,664	629,442
<u>\$ 200,777</u>	<u>\$ 33,198</u>	<u>\$ 875,991</u>

**READING COMMUNITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2024**

Federal Grantor Pass-Through Grantor Program Title - Grant Number	Federal ALN Number	Pass-through Grantor's Number	Award Amount	(Deferred) Revenue 7/1/2023	Accrued or (Memo Only) Prior Year Expenditures	Current Year Receipts	Current Year Expenditures	Adjustments and Transfers	Accrued (Deferred) Revenue 6/30/2024
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		\$ 47,203	\$ 0	\$ 0	\$ 47,203	\$ 47,203	\$ 0	\$ 0
Cash assistance:									
School Breakfast Program	10.553	231970	\$ 24,840	\$ 0	\$ 0	\$ 24,840	\$ 24,840	\$ 0	\$ 0
		241970	148,469	0	0	148,469	148,469	0	0
			<u>\$ 173,309</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 173,309</u>	<u>\$ 173,309</u>	<u>\$ 0</u>	<u>\$ 0</u>
National School Lunch Program	10.555	231960	\$ 51,713	\$ 0	\$ 0	\$ 51,713	\$ 51,713	\$ 0	\$ 0
		241960	300,356	0	0	300,356	300,356	0	0
			<u>\$ 352,069</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 352,069</u>	<u>\$ 352,069</u>	<u>\$ 0</u>	<u>\$ 0</u>
Supply Chain Assistance	10.555	240910	\$ 21,348	\$ 0	\$ 0	\$ 21,348	\$ 21,348	\$ 0	\$ 0
COVID-19 Summer Food Service Program	10.559	230900	\$ 411,025	\$ 0	\$ 0	\$ 411,025	\$ 411,025	\$ 0	\$ 0
		240900	172,031	0	0	172,031	172,031	0	0
			<u>\$ 583,056</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 583,056</u>	<u>\$ 583,056</u>	<u>\$ 0</u>	<u>\$ 0</u>
Fresh Fruit & Vegetable Program	10.582	240950	\$ 21,473	\$ 0	\$ 0	\$ 21,473	\$ 21,473	\$ 0	\$ 0
Total Child Nutrition Cluster			<u>\$ 1,198,458</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,198,458</u>	<u>\$ 1,198,458</u>	<u>\$ 0</u>	<u>\$ 0</u>
Food Equipment Assistance Grant	10.579	221911	\$ 27,367	\$ 0	\$ 0	\$ 10,565	\$ 27,367	\$ 0	\$ 16,802
		221997	5,829	0	0	5,829	5,829	0	0
			<u>\$ 33,196</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 16,394</u>	<u>\$ 33,196</u>	<u>\$ 0</u>	<u>\$ 16,802</u>
Local Food for Schools	10.185	230985	\$ 3,120	\$ 0	\$ 0	\$ 3,120	\$ 3,120	\$ 0	\$ 0
Total U.S. Department of Agriculture			<u>\$ 1,234,774</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,217,972</u>	<u>\$ 1,234,774</u>	<u>\$ 0</u>	<u>\$ 16,802</u>

**READING COMMUNITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2024
(continued)**

Federal Grantor Pass-Through Grantor Program Title - Grant Number	Federal ALN Number	Pass-through Grantor's Number	Award Amount	(Deferred) Revenue 7/1/2023	Accrued or (Memo Only) Prior Year Expenditures	Current Year Receipts	Current Year Expenditures	Adjustments and Transfers	Accrued (Deferred) Revenue 6/30/2024
U.S. Department of Education:									
Passed through Michigan Department of Education:									
Title I Part A	84.010	241530/2324	\$ 283,189	\$ 0	\$ 0	\$ 86,118	\$ 240,841	\$ 0	\$ 154,723
Title V Part B - Rural Education	84.358	230660/2223 240660/2324	\$ 17,455 22,723	\$ 0 0	\$ 15,124 0	\$ 1,467 0	\$ 1,467 15,156	\$ 0 0	\$ 0 15,156
			\$ 40,178	\$ 0	\$ 15,124	\$ 1,467	\$ 16,623	\$ 0	\$ 15,156
Title II Part A – Supporting Effective Instruction	84.367	240520/2324	\$ 39,276	\$ 0	\$ 0	\$ 12,039	\$ 36,395	\$ 0	\$ 24,356
Title IV Part A - Student Support & Academic Enrichment	84.424	230750/2223 240750/2324	\$ 17,845 17,432	\$ 0 0	\$ 17,829 0	\$ 16 11,024	\$ 16 17,026	\$ 0 0	\$ 0 6,002
			\$ 35,277	\$ 0	\$ 17,829	\$ 11,040	\$ 17,042	\$ 0	\$ 6,002
Education Stabilization Fund									
COVID-19 Elementary and Secondary School									
Emergency Relief Fund (ESSER II Formula)	84.425D	213782/2223	\$ 35,182	\$ 0	\$ 33,600	\$ 1,582	\$ 1,582	\$ 0	\$ 0
Emergency Relief Fund (ESSER III Formula)	84.425V	213713/2122	1,563,305	98,260	1,123,920	195,878	111,228	0	13,610
COVID-19 America Rescue Plan - Homeless II	84.425W	211012/2122	15,714	0	10,923	0	3,513	0	3,513
			\$ 1,614,201	\$ 98,260	\$ 1,168,443	\$ 197,460	\$ 116,323	\$ 0	\$ 17,123
Total U.S. Department of Education			\$ 2,012,121	\$ 98,260	\$ 1,201,396	\$ 308,124	\$ 427,224	\$ 0	\$ 217,360
U.S. Department of Health & Human Services:									
Passed through Hillsdale County Intermediate School District:									
Medical Assistance Program	93.778		\$ 3,961	\$ 0	\$ 0	\$ 2,675	\$ 3,961	\$ 0	\$ 1,286
Total U.S. Department of Health & Human Services			\$ 3,961	\$ 0	\$ 0	\$ 2,675	\$ 3,961	\$ 0	\$ 1,286
Total Federal Financial Assistance			\$ 3,250,856	\$ 98,260	\$ 1,201,396	\$ 1,528,771	\$ 1,665,959	\$ 0	\$ 235,448

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 (ALN #10.553, 10.555, 10.559 and 10.58) was audited as a major program, representing 74.1% 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, 2024

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?	_____ Yes <u> X </u> 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>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555,10.559 and 10.582	Child Nutrition Cluster

Dollar threshold to distinguish between Type A and Type B programs:	\$750,000
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Auditee qualifies as low-risk auditee?	<u> X </u> Yes _____ No
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SECTION II – FINANCIAL STATEMENT FINDINGS

2024-001

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, 2024

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.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No findings.

SECTION IV – SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

FINANCIAL STATEMENTS FINDINGS

Finding Number	ALN Nnumber	Description	Questioned Costs	Current Status
2023-001	N/A	Segregation of duties	None	Repeated

FEDERAL AWARD FINDINGS

No findings.



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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, 2024, 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 20, 2024.

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 2024-001).

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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Reading Community Schools’ Response to Findings

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

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 20, 2024



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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

Opinion on Each Major Federal Program

We have audited Reading Community Schools' compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Reading Community Schools' major federal programs for the year ended June 30, 2024. 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.

In our opinion, Reading Community Schools complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance

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

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

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

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

Bailey, Hodshire & Company, P.C.

Jonesville, Michigan
October 20, 2024



READING COMMUNITY SCHOOLS

**Reading Community Schools
Corrective Action Plan
June 30, 2024**

Financial Statement Findings

Finding Number	Type	Condition Per Auditor	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2024-001	Segregation of Duties	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.	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.	Ongoing	Superintendent and LEA Business Manager