

**Reeths-Puffer Schools
Muskegon, Michigan**

Comprehensive Annual Financial Report



For the Fiscal Year Ended June 30, 2020

www.reeths-puffer.org

Reeths-Puffer Schools

Muskegon, Michigan

Comprehensive
Annual Financial Report
For the year ended
June 30, 2020

Prepared By

Reeths-Puffer Schools
Business Office

Tracey French
Director of Finance

Reeths-Puffer Schools

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REETHS-PUFFER SCHOOLS

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Tracey French
Director of Finance
frencht@reeths-puffer.org

October 14, 2020

Dear Board Members and Citizens of Reeths-Puffer Schools:

The Comprehensive Annual Financial Report (CAFR) of Reeths-Puffer Schools (School District) for the fiscal year ended June 30, 2020 is presented for your review. Guided by the Board of Education's commitment to public accountability, detailed financial information relating to the fiscal operation of the School District is presented in this report prepared by the School District's Finance Department. The CAFR is prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). Responsibility for the completeness, accuracy and fairness of the information presented rests with the administration and management of Reeths-Puffer Schools.

The report has been prepared following generally accepted accounting principles. We believe the data presented is accurate in all material respects and clearly reflects the financial position and the results of operations of Reeths-Puffer Schools. All disclosures necessary to enable the reader to gain an understanding of the School District's financial activities have been included.

Report Organization

The Comprehensive Annual Financial Report was prepared to meet the needs of a broad spectrum of financial statement readers. The report is divided into the following major sections:

Introductory Section—The reader is introduced to Reeths-Puffer Schools. Included are facts about the School District, a brief highlight of our curriculum offerings, points of pride, major initiatives undertaken and other information. The introductory section includes this transmittal letter, the School District's organizational chart, a list of School District officials and administrative staff.

Financial Section—The Independent Auditor's Report, Management's Discussion and Analysis (MD&A), Basic Financial Statements and Notes to Basic Financial Statements are included. These provide an overview for readers who require less detailed information than is contained in the balance of this report. In addition to the basic financial statements, this section includes combining and individual fund supplemental statements and schedules.

Statistical Section—The reader is provided with a 10-year history of financial and demographic data intended to reflect economic conditions, financial trends and the fiscal capabilities of our School District.

Generally accepted accounting principles require that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis. This transmittal letter is designed to complement the MD&A and should be read in conjunction with it. The School District's MD&A can be found immediately following the report of the independent auditors.

We, the administration, would like to stress to you, the reader, that we are responsible for both the financial information and representations contained in the financial statements and other sections of this annual report. In preparing the financial statements, it is necessary to make informed estimates and judgments based on currently available information.

Reporting Entity

Reeths-Puffer Schools is a suburban school district, located in northern Muskegon County, covering five townships, plus a portion of the City of Muskegon, in an area affectionately known as “Rocket City”. The School District covers approximately 77 square miles and includes the entirety of Laketon Township plus portions of Fruitland, Dalton, Muskegon, and Cedar Creek Townships. The current population is approximately 22,000.

The School District was formed in 1946 by the consolidation of the Reeths School District and Puffer School District. Reeths-Puffer High School graduated its first class in 1959. The School District reached its present boundaries in 1981 after a process of several consolidations and annexations. The roots of the School District extend back to the late 1800s. Reeths-Puffer Schools is a fiscally independent school district governed by a seven-member elected Board of Education.

The School District operated six traditional and three non-traditional instructional facilities in the 2019-20 school year. Pennsylvania Elementary and McMillan Early Childhood Center serve early childhood education needs. Three elementary schools serve grades K through 4: Central Elementary, Twin Lake Elementary, and Reeths-Puffer Elementary. Reeths-Puffer Intermediate School serves grades 5-6, Reeths-Puffer Middle School serves grades 7-8, and Reeths-Puffer High School serves grades 9 through 12. The School District has several support facilities, and also participates in a five-district consortium that runs Duck Creek alternative high school. The student enrollment for 2019-20 was 3,572 students. Core K-12 enrollment is expected to be steady, and enrollment is projected to be 3,572 students in 2020-21.

School Programs and Major Initiatives

Reeths-Puffer Schools strives to be a leader in instructional excellence and continues to attract new families to the “Rocket City” community. The R-PS curriculum and student programs are guided by the ambitious student achievement goals of the R-P Strategic Plan:

- “No Boundaries, No Limits - Anytime, Anyplace, Any Level Learning”
- “100% Plugged In – Every Child Connected to an ‘Out of School’, Coordinated, Value-Added Activity”
- “100% of Rocket Graduates are ‘College and Career’ Aware and Ready”

These standards set high expectations and are based upon the belief that all students can and will succeed. This is punctuated by the bold “23” initiative, which aims to increase student achievement, thereby increasing access to higher education opportunities for Reeths-Puffer High School graduates.

In response to these goals, opportunities for students have grown, with new clubs, groups, and teams accessible to students of all ages. The School District provides a world language program spanning grades K through 12. Pennsylvania Elementary operates as a public/private partnership that provides innovative early childhood and Kindergarten instruction. McMillan Early Childhood Center provides great opportunities through preschool programming for young Rockets. Advanced Placement and dual enrollment opportunities are available to students at the high school looking for challenges. A college readiness program has started at the elementary level, which will feed into students in the secondary grades having a greater awareness of what it takes to be college-and career-ready. The decorated high school band continues to win awards and won another state championships in 2019-20.

Accounting Systems and Budgetary Controls

The School District adheres to budgetary policies established by the Board of Education. The Superintendent submits a proposed operating budget to the Board of Education prior to July 1 each year. The operating budget includes proposed expenditures, along with the means of financing them. In 2019-20, this proposed operating budget included the General Fund, Food Service Fund, and Technology and Security Fund. The level of control is at the functional level. The budget process includes public hearings to obtain taxpayer comments, and a legally adopted Board of Education resolution prior to July 1. The Superintendent and Director of Finance are authorized to transfer budgeted amounts within expenditure functions. Any transfer or revisions that require increases in total expenditures or change the total for any fund must be approved by the Board of Education. The budget is amended throughout the year as needed, with the final amendment always approved prior to June 30.

The budget process is designed to effectively allocate resources to maximize student benefit. One of the key values identified in the School District strategic plan is the open sharing of School District financial information, and as such, transparency is highly valued in the budget communication process.

The School District integrates the budget the accounting system and internal controls. Internal controls are in place to provide reasonable, but not absolute, assurance for the safeguarding of assets against loss from unauthorized use, and for maintaining accountability of the assets. Such controls also provide assurance for the reliability of the financial records necessary for producing accurate financial statements. Our budgetary and internal controls adequately safeguard School District assets and provide reasonable assurance that errors or fraud are prevented or can be detected within a timely period.

Independent Audit

The School District's financial statements were audited by Brickley DeLong, as of June 30, 2020. Their audit was made 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. The financial statements present fairly the financial position of Reeths-Puffer Schools at June 30, 2020.

The independent audit of the financial statements of the District was part of a federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the District's separately issued Single Audit Report.

Financial and Capital Planning

The passage of Proposal A in 1994 has resulted in the School District being dependent upon the State of Michigan for the majority of its funding. The School District has ongoing financial planning for operational needs as well as capital asset needs. Major assumptions involved with financial forecasting include student enrollment, state funding, employee wage and benefit costs, and equipment and facility life cycles. Considerable time and energy is spent tracking and forecasting student enrollment, as the vast majority of funding is generated on a per-pupil basis.

Many of the School District's instructional facilities were built between 1948 and 1962. Reeths-Puffer High School was constructed in 1994. Each of the facilities has benefited from significant improvements over the years, which was highlighted most recently by the complete renovation of Reeths-Puffer Middle School using the 2010 Bond. Facility upgrades have been funded through bond capital projects as well as building and site improvement funds set aside on an annual basis.

Economic Environment

Michigan voters approved the state constitutional amendment known as Proposal A in 1994. Funding of school operations shifted dramatically at that time from local property tax revenue to State Aid funding as a result. The School District has seen both increases and decreases in state funding during the time since this change, and it has always dealt with budget challenges responsibly in a manner that puts students at the forefront of the process.

The regional economy in West Michigan was making a slow recovery since the downturn in 2008-2009 and then COVID-19 emerged. This pandemic has drastically affected the unemployment rate in Muskegon County. Property taxable values have stabilized over the past several years after five consecutive years of losses, but are well below the high point of 2009-2010. Changes in the economy were compounded by a significant loss from settlements with the School District's biggest taxpayer, Consumers Energy, as they prepared to close the BC Cobb power plant.

School District voters have consistently supported bond issues for capital improvements, most recently in 2009. Muskegon County voters approved a 1 mill technology and security enhancement millage in 2014, which will benefit the School District for years to come.

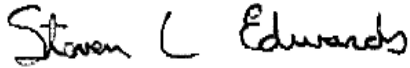
Certificate of Excellence

The School District first prepared a CAFR for the year ended June 30, 2014, and first gained the Association of School Business Officials (ASBO) Certificate of Excellence at that time. The School District was successful in earning the ASBO Certificate of Excellence for the Comprehensive Annual Financial Report for the year ended June 30, 2019, the sixth straight year of this achievement. This achievement is a source of pride for both the School Administration and the Board of Education. The vision and leadership of the Board is a necessity for maintaining such high standards for financial reporting. The Administration will again submit this year's report in the hopes of continuing this achievement.

Acknowledgments

The preparation of this report could have not been accomplished without the dedication and effort of the entire Business Services department staff. We would like to express our gratitude and appreciation to all School District employees who assisted in the timely and accurate closing of the School District’s financial records and the preparation of this report.

Respectfully submitted,



Steven Edwards
Superintendent



Tracey French
Director of Finance

Reeths-Puffer Schools

Elected Officials and Administrative Staff

2019-20 Board of Education

Kim Bramer, President

Mike Weessies, Vice President

Chris Brooks, Treasurer

Susan Blackburn, Secretary

Alex Keefe, Trustee

Sonya Hernandez, Trustee

Jennifer Romanosky, Trustee

2019-20 Administrative Staff

Steve Edwards, Superintendent

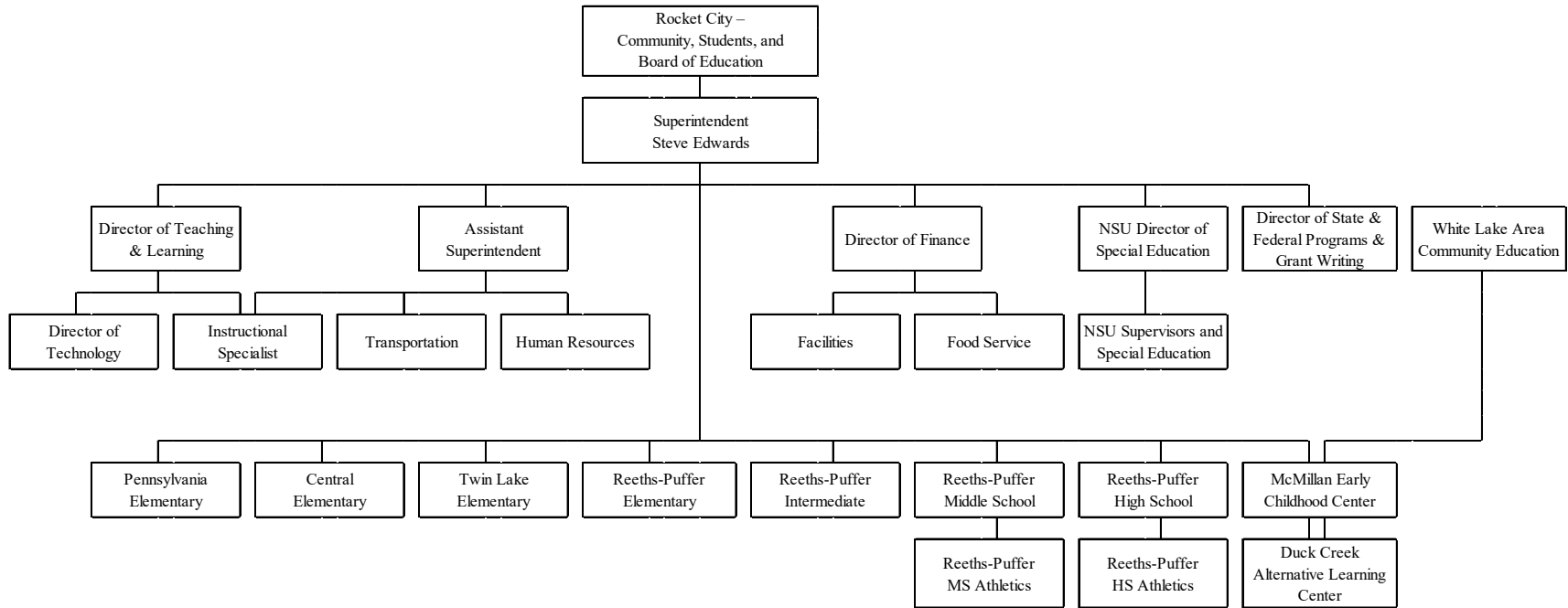
Rob Renes, Assistant Superintendent

Scott Green, Director of Special Education

Tracey French, Director of Finance

Nate Smith, Director of Teaching and Learning

Reeths-Puffer Schools ORGANIZATIONAL STRUCTURE





**The Certificate of Excellence in Financial Reporting
is presented to**

Reeths-Puffer Schools

**for its Comprehensive Annual Financial Report (CAFR)
for the Fiscal Year Ended June 30, 2019.**

The CAFR meets the criteria established for
ASBO International's Certificate of Excellence.



A handwritten signature in black ink that reads 'Claire Hertz'.

Claire Hertz, SFO
President

A handwritten signature in black ink that reads 'David J. Lewis'.

David J. Lewis
Executive Director

INDEPENDENT AUDITOR'S REPORT

Board of Education
Reeths-Puffer Schools
Muskegon, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Reeths-Puffer Schools (the School District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Reeths-Puffer Schools as of June 30, 2020, 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.

Other Matters

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 and OPEB information on pages 12 through 32 and 69 through 75 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Reeths-Puffer Schools' basic financial statements. The introductory section, supplemental budgetary comparison schedules, combining nonmajor fund financial statements, debt service funds financial statements, fiduciary funds financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory section, supplemental budgetary comparison schedules, and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Board of Education
Reeths-Puffer Schools
Page 3

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2020, on our consideration of Reeths-Puffer 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 Reeths-Puffer 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 Reeths-Puffer Schools' internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Brickley DeLong, P.C." The signature is written in a cursive style with a large, stylized initial 'B'.

Muskegon, Michigan
October 14, 2020

Reeths-Puffer Schools
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2020

The management discussion and analysis report for Reeths-Puffer Schools (School District) is intended to assist the reader in focusing on significant financial issues, provide an overview of the School District's financial activity and identify changes in its financial position. This section of the financial statements also identifies all material deviations from the financial plan (initial budgets) and discloses individual fund issues and concerns that exist at the close of the fiscal year.

This information is required by GASB 34 (Governmental Accounting Standards Board's Statement No. 34). GASB 34 requires the presentation of two basic types of financial statements; namely, Government-Wide Financial Statements and Fund Financial Statements.

Overview of the Comprehensive Financial Statements

This comprehensive annual financial report consists of seven parts: (1) the introductory section, (2) the independent auditor's report, (3) management's discussion and analysis (this section), (4) the basic financial statements, (5) required supplementary information, (6) other supplemental information, and (7) the statistical section. The financial statements include notes that explain some of the information in the statements by providing detailed data. These statements are followed by a section of required supplementary information that further explains and supports the financial statements, utilizing a comparison to the School District's budget for the year. Additionally, the basic financial statements also include two kinds of statements that present different views of the School District.

Government-Wide Financial Statements

The government-wide statements provide a financial perspective of the School District as a whole. These statements use the "full accrual" basis of accounting. There are two (2) government-wide statements: the Statement of Net Position and the Statement of Activities.

The Statement of Net Position combines and consolidates governmental funds' current financial resources (short-term expendable resources) with capital assets and long-term obligations, whether they are currently available or not.

The Statement of Activities accounts for current year revenues and expenses regardless of when cash is received or paid (full accrual accounting). The intent of this statement is to summarize and simplify the information relative to funding received and expenditures made for various district services.

Fund Financial Statements

Fund statements are reported under the "modified accrual" method of accounting. Under this basis of accounting, revenues are recorded when received, except where they are measurable and available within sixty (60) days of the close of the fiscal year. Expenditures are accounted for in the period that goods and services are used in school programs; therefore, major payments during the summer for payrolls and benefits belonging to the year's instructional program are expensed on June 30th. In addition, capital asset purchases are expensed when placed in service and are not shown as assets in these statements. Debt payments made in the fiscal year are shown as expenditures in the current year and future debt obligations are not recorded here.

Reeths-Puffer Schools
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2020

Fund types include the General Fund, special revenue funds, debt retirement funds, capital projects funds and the agency funds. The General Fund is used to show the operational financial activities of the School District for the fiscal year. The primary funding sources for the General Fund are from local property taxes, state foundation grant per student, state categorical funding for specific programs, federal grants and inter-governmental transfers. A budgetary comparison schedule for the General Fund is presented as Required Supplementary Information. This schedule shows the initial budget adopted in June 2019, the final amended budget as of June 30, 2020, and how actual results compared.

Special revenue funds include the Food Service Fund and the Technology and Security Fund. Transactions dealing with the school food service program are recorded in the Food Service Fund and related accounts. The Technology and Security Fund was added as a non-major special revenue fund, effective July 1, 2014. It accounts for the enhancement millage received through Muskegon Area ISD and the related expenditures, focused on technology and security enhancements.

The debt service funds are used to record debt payments of principal and interest amounts. Local property tax funds are used to pay the majority of debt, with any unmet needs being covered by the Michigan School Bond Loan Program and Michigan School Loan Revolving Fund. The fund for the 2019 Refunding Bonds is presented as a major fund in 2019-20. The amount of revenues as well as the principal and interest payments required exceed the threshold to be presented as a major fund. Therefore, it is shown separate from the other debt service funds, which are presented as other governmental funds in the Other Supplemental Information section.

The capital projects funds are used to record the costs associated with the acquisition of land, construction or improvement of school facilities, and for equipment purchases in excess of \$5,000. The School District currently has one dedicated capital projects fund, the Building and Site Fund. This fund is used for building improvements, equipment purchases, and general facilities upgrades.

The agency funds, known as internal activity funds, are held in a trustee capacity for various student or school related groups' financial transactions. Monies in these funds are not available for general school use.

Budgetary comparison schedules cover the special revenue funds of the School District – Food Service Fund and Technology and Security Fund. These comparisons are presented as Other Supplemental Information and are not subject to audit. However, the Board of Education is required by law to adopt a budget for appropriations for those funds. These schedules show the initial budget adopted in June 2019, the final amended budget as of June 30, 2020, and how actual results compared.

Government-Wide Financial Results – Statement of Activities and Changes in Net Position

The net position deficiency shown below is the direct result of the School District using capital appreciation bonds and loans from the Michigan School Bond Loan and School Loan Revolving Funds to finance major facility construction projects over the past several years. Under Michigan School Bond Loan funding programs, the payments against principal and interest costs are delayed to some point in the future; therefore, interest costs compound due to their delayed payment.

The negative impact of funding school projects by utilizing these particular funding methods is further increased by the fact that the facility values associated with the borrowed funds are decreasing each year due to depreciation. These particular funding programs have been available for use by public schools where the community's tax base is insufficient to support the immediate costs of debt associated with meeting current facility needs. The particular capital appreciation bonds the School District has are currently not callable for refinancing at a lower rate.

Reeths-Puffer Schools
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2020

Furthermore, the net deficiency position of the School District has been exacerbated by the adoption of GASB Statements Numbers 68 and 75, which have greatly increased the long-term liabilities required to be recognized by the School District. GASB Statement Number 68 was adopted for the fiscal year ended June 30, 2015, and GASB Statement Number 75 was adopted for the fiscal year ended June 30, 2018. As of June 30, 2020, the School District reported liabilities of approximately \$72.9 million for its share of the unfunded liability for the MPSERS pension plan, approximately \$15.7 million for its share of the MPSERS OPEB liability as well as approximately \$4.5 million in additional OPEB liabilities. The adoption of GASB 68 and GASB 75 and the impact of the new statements are explored in more depth in Footnote J.

Statement of Net Position

	<u>For the Year Ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
Assets		
Current assets	\$ 12,075,139	\$ 13,132,413
Capital assets (net of depreciation)	44,305,937	46,075,091
Total assets	56,381,076	59,207,504
Deferred outflows of resources	27,510,951	25,881,541
Total assets and deferred outflows of resources	83,892,027	85,089,045
Liabilities		
Current liabilities	19,466,879	20,433,828
Long-term liabilities	152,036,387	149,313,421
Total liabilities	171,503,266	169,747,249
Deferred inflows of resources	11,857,385	11,982,456
Total liabilities and deferred inflows of resources	183,360,651	181,729,705
Net Position		
Net investment in capital assets	9,544,123	6,021,646
Restricted funds	95,635	61,675
Unrestricted funds	(109,108,382)	(102,723,981)
Net position	<u>\$ (99,468,624)</u>	<u>\$ (96,640,660)</u>

- Current assets – Several asset categories have decreased slightly as of June 30, 2020, compared to a year ago. Cash and investments decreased slightly, Due from Other Governmental Unit receivable balances decreased, and prepaid items decreased slightly. The largest contribution to the difference is the change in cash and prepaid items.
- Capital assets – net capital assets were reduced by annual depreciation, and capitalized additions were relatively low once again. This resulted in a net decrease.
- Deferred outflows of resources increased slightly. Pension and other post employment liabilities increased as a result of the actuarial assumptions and computations during the year.

Reeths-Puffer Schools
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2020

- As a result of these changes, total assets and deferred outflows of resources as of June 30, 2020 increased by over \$1.6 million compared to June 30, 2019.
- Current liabilities – decreased slightly compared to June 30, 2019. The amount of bond payments due within one year increased slightly as of June 30, 2020. Accounts payable is very similar to a year ago, and accrued liabilities also increased slightly compared to a year ago. The due to other governmental units decreased slightly as well. The State Aid loan decreased from \$4,928,360 as of June 30, 2019 to \$4,200,000 as of June 30, 2020.
- Long-term liabilities – increased compared to June 30, 2019. While the amount of long-term bonds and other obligations decreased significantly, the recognition of an addition of over \$8 million in net pension liability caused our liabilities to increase compared to a year ago. The amount of long-term liabilities has increased significantly in recent years with the implementation of GASB Statements 68 and 75.
- Largely as a result of the increase in long-term liabilities described above, the deficiency in the School District's net position has increased compared to a year ago. This has grown significantly over the past several years, directly as a result of the adoption of GASB Statements Number 68 and 75, and the related recognition of the long-term pension liability and other post-employment benefit liability.

Reeths-Puffer Schools
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2020

Statement of Activities

	<u>For the Year Ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
District Wide Revenues		
Program Revenues		
Charges for services	\$ 442,943	\$ 508,058
Operating grants	12,074,426	11,461,581
General Revenues		
Property taxes	8,401,656	8,603,531
Unrestricted grants	25,634,216	25,473,724
Other revenues	402,649	218,044
Total revenues	46,955,890	46,264,938
District Wide Expenses		
Instruction	28,814,805	27,294,327
Support services	15,509,493	15,289,627
Community services	41,444	37,744
Food services	1,706,754	1,297,941
Athletics	1,152,252	983,681
Interest on long-term debt	2,519,391	2,462,172
Unallocated depreciation	39,715	40,887
Total expenses	49,783,854	47,406,379
Change in net position	(2,827,964)	(1,141,441)
Net position at beginning of year	(96,640,660)	(95,499,219)
Net position at end of year	\$ (99,468,624)	\$ (96,640,660)

The change reflected above is a change in net position of approximately \$2.8 million. Overall, total revenue in 2019-20 increased by approximately \$691,000 compared to 2018-19, an increase of approximately 1.5%. Property tax revenue for debt service decreased slightly, as the School District was able to decrease its debt levy, from 9.1 mills to 8.75 mills. This was a product of modest tax base growth, along with School District efforts to refinance outstanding debt, and is consistent with the requirements of Public Act 437 of 2012. Operating grants increased due to additional food service federal funding, which was partially offset with the loss of some At-Risk funds as well as a significant decrease in K-12 pupils. Unrestricted revenue was slightly higher than the previous year due to additional MAISD Act 18 distributions, which were partially offset by lower pupil membership. Per-pupil funding increased, but the School District lost K-12 enrollment and the corresponding state aid.

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Overall, expenses increased by about \$2.38 million in 2019-20, compared to 2018-19. Instructional spending increased by \$1.5 million compared to the prior year. Included in these changes were the increased pension and health insurance expenses as well as contracted salary increases. Support services spending increased by approximately \$300,000. Again, the increase is largely due to increase in pension and health expenses. Interest on long-term debt increased slightly for the year ended June 30, 2020 directly related to the refinancing of the outstanding school bond loan fund. In the long run, the School District will save over \$8.6 million in interest expense as a result of the 2015-16, 2016-17 and 2019-20 bond refunding issues.

Net Capital Asset Values

Asset Category	July 1, 2019 Balance	Additions in 2019-20	Deductions in 2019-20	Change in Accumulated Depreciation	June 30, 2020 Balance
Land	\$ 474,150	\$ -	\$ -	\$ -	\$ 474,150
Land Improvements	487,989	-	-	3,007	484,982
Vehicles	176,104	44,460	328,729	(248,649)	140,484
Buildings & improvements	43,937,142	67,000	-	1,837,275	42,166,867
Furniture & equipment	999,706	410,530	90,260	280,522	1,039,454
Total	\$ 46,075,091	\$ 521,990	\$ 418,989	\$ 1,872,155	\$ 44,305,937

As shown above, capital assets, net of depreciation, decreased in value from July 1, 2019 to June 30, 2020. During 2019-20, the School District capitalized slightly more than \$520,000 in equipment purchases and other projects, while accumulated depreciation increased by approximately \$1.9 million. For more information on capital assets, please see Note F in the notes to the financial statements.

	Debt Obligations				
	July 1, 2019	Additions	Deductions	June 30, 2020	Current
Debt obligations (Bonds, and notes from direct borrowings and direct placements)	\$ 73,162,726	\$ 29,220,471	\$ 32,715,582	\$ 69,667,615	\$ 11,272,258
Compensated absences and early retirement obligations	791,443	231,772	233,218	789,997	200,750
Net pension liability	66,272,669	12,785,508	6,189,536	72,868,641	-
Net other postemployment benefits liability	20,537,676	1,698,199	2,052,733	20,183,142	-
Total long-term obligations	\$160,764,514	\$ 43,935,950	\$ 41,191,069	\$163,509,395	\$ 11,473,008

The ending balance of debt obligations as of June 30, 2020 is higher than the beginning balance by approximately \$2,700,000. Additions shown above represent borrowing related to the 2019-20 refunding bonds, accreted interest on capital appreciation bonds, and additions to the net pension liability and net other post-employment benefits liability. Reductions in outstanding debt include principle and interest payments made according to bonded debt schedules, retirements of School Bond Loan Fund debt, and amortization of bond premiums. For more information on debt, please see Note I in the notes to the financial statements.

In 2015-16, 2016-17 and 2019-20, the School District issued over \$75.1 million in refunding bonds combined over five issues to refinance outstanding debt at lower interest rates in order to lower costs and pass significant savings along to its taxpayers. These five issues refinanced multiple outstanding bond issues and achieved projected combined interest savings of over \$8.6 million.

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General Fund Budgetary Highlights

The State of Michigan's Uniform Budget Act requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year. When the budget is prepared each year, several unknown factors exist. Estimates are used for such major items as student count, employee contracts, state aid, staffing, and tax appeals. As a matter of practice and in accordance with Board policy and state law, the School District amends its budget periodically during the fiscal year. These revisions are made in order to deal with changes in revenues and expenditures that become known during the year. During the 2019-20 year, the budget was amended in January 2020 and June 2020.

One of the main assumptions impacting the School District's budget is the revenue received from State of Michigan through the per-pupil foundation allowance. The foundation grant for the 2019-20 year was \$8,111. This represented an increase of \$240 over the 2018-19 level, distributed on the 2x formula. The State of Michigan provided approximately \$185 per pupil in available supplemental funds through Section 147A MPSERS pension offset grant, a \$57 increase from the previous year's allocation of about \$128 per pupil.

Revenue adjustments made during the 2019-20 budget process included:

- Pupil Count and State Aid (*January 2020, Budget Amendment #1; June 2020, Budget Amendment #2*) – The total pupil count was 3,574 which is lower than what was projected. There were several components to this.
 - Traditional K-12 count – K-12 student count of 3,574, compared to original projected count of 3,672. This decrease of 98 students leads to a projected decline of about \$750,000 in state aid revenue. This is the most significant portion of the state revenue drop in Budget Amendment #1.
 - Alternative education student count – preliminary fall count of 26 students. This is a slight drop from last year's count of 29.
 - Shared time student count – this count did go away as expected from the 2018-19 school year.
- State pension funding through Section 147 (*January 2020, Budget Amendment #1; June 2020 Budget Amendment #2*) - the District received slightly less than originally projected in MPSERS 147A and 147C funding. In total, these sources brought in a little over \$3 million in 2019-20, which kept our total pension costs at nearly 40% of payroll. Section 147C funding increased to nearly \$2.43 million from the original projected amount of \$2.459 million. This amount equated to almost \$860 per pupil that was received from the State of Michigan and passed right back to the pension program.
 - Pension funding through Section 147E (*June 2020, Budget Amendment #2*) – this funding revenue source was implemented mid-year in 2017-18. The allocation was approximately \$41,000, and will be used to help offset increased defined contribution costs for new hires in the pension system.
- Federal Title grant revenue updates (*January 2020, Budget Amendment #1*) –
 - Title I-A – The projected grant budget for 2019-20 is approximately \$512,000, a slight increase from the original 2019-20 projection of \$527,000. Budget planning has taken a more conservative approach in recent years, and reductions have been made in this grant.
 - Title II-A – The projected grant budget for 2019-20 is approximately \$123,000, a \$7,000 increase compared to the initial budget projection.

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- Federal IDEA grant revenue updates (*January 2020, Budget Amendment #1; June 2020, Budget Amendment #2*) – The three IDEA grants decreased by nearly \$35,000 from original projections during the year. The total projected revenue available among three IDEA grants was approximately \$1,354,000.
- From the Initial Budget in June 2019 to Budget Amendment #2 in June 2020, total revenue decreased by approximately \$700,000, a decrease of about 1.8%. The most significant factors in this change came in decreased student count and lower federal grant revenue.

The initial expenditure assumptions included a MPSERS base pension rate of 27.5% of payroll, a subsidized MPSERS rate of 12.7% of payroll, an increase in health insurance caps of 2% according to PA 152 limits, and modest wage increases for employees as already settled according to contracts.

Expenditure adjustments made during the 2019-20 budget process included:

- Increased staffing expenditures (*January 2020, Budget Amendment #1*) – Adjustments were made for staff hired since the initial budget projection.
- Pension costs (*January 2020, Budget Amendment #1*) – Updated benefit projections including taxes, retirement and workers compensation had been adjusted since the June 2019 projection.
- From the Initial Budget in June 2019 to Budget Amendment #2 in June 2020, total expenditures decreased by approximately \$623,000, or about 1.6%. The most significant decreases occurred in Operation & Maintenance as well as Transportation directly related to the COVID-19 pandemic and instruction moving to virtual from March 13 through the end of the school year.

The initial budget called for a deficit of approximately \$55,000 while the final amended budget called for an operating deficit of approximately \$140,000, a change of approximately \$85,000, or about 0.2% of annual expenditures. The actual results reflect an operating surplus of approximately \$14,000; a positive swing of approximately \$126,000 compared to the final budget amendment, or about 0.3% of the annual budget. This swing is directly related to many unknown factors at the end of June due to the pandemic.

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2019-20 General Fund

	<u>Initial Budget</u>	<u>Final Budget</u>	<u>Actual</u>
Revenues			
Local revenue			
Local sources	\$ 3,111,740	\$ 2,803,813	\$ 2,899,209
Received from other districts	1,749,000	2,149,979	2,234,180
State revenue	32,621,920	31,920,851	31,451,727
Federal revenue	2,095,855	2,060,938	2,055,545
Transfers and other	95,000	30,800	99,429
Total revenues	<u>\$ 39,673,515</u>	<u>\$ 38,966,381</u>	<u>\$ 38,740,090</u>
Variance of actual from budget	\$ (933,425) -2.4%	\$ (226,291) -0.6%	

2019-20 General Fund

	<u>Initial Budget</u>	<u>Final Budget</u>	<u>Actual</u>
Expenditures			
Instruction	\$ 24,631,170	\$ 24,396,193	\$ 24,196,559
Instructional support	4,903,997	4,920,787	4,871,707
Business and administration	4,430,476	4,318,316	4,220,361
Maintenance and operations	2,824,273	2,782,314	2,755,486
Transportation	1,798,294	1,551,197	1,539,408
Athletics	951,612	958,195	962,153
Community, transfers, and other	189,181	179,508	180,431
Total expenditures	<u>\$ 39,729,003</u>	<u>\$ 39,106,510</u>	<u>\$ 38,726,105</u>
Variance of actual from budget	\$ (1,002,898) -2.5%	\$ (380,405) -1.0%	
Change in Fund Balance	<u>\$ (55,488)</u>	<u>\$ (140,129)</u>	<u>\$ 13,985</u>
Variance of actual from budget	\$ 69,473	\$ 154,114	
Percentage of budgeted expenditures	0.2%	0.4%	

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Budget to actual analysis follows:

Revenue

- Local revenues higher than budget estimates: \$95,000, or 3.2%. Revenues received were in line with estimates. A year-end reclassification of several miscellaneous items was the only difference between budget estimates and final figures.
- State revenues lower than estimated: (\$469,124) – The variance represents about 1.5% of this category. This variance is directly related to the COVID-19 pandemic. The state deducted \$175 per FTE during the August 20th state aid payment. Federal revenue was given to offset this deduction at \$300 per student but could not be recognized in the 2019-20 year due to the timing of the signature provided by the Governor. These funds will show up in the 2020-21 fiscal year.
- Local revenue sources received from other districts higher than estimated: \$84,000 – This variance came in higher due to an unexpected receipt of one time funds as well as higher than anticipated receipts of Medicaid funds.
- Federal revenues lower than estimated: (\$5,000) – Since full grant allocations must be appropriated, any carryover shows up as a budget variance. Title I-A, and Title II-A budgets combined came in approximately \$34,000 under approved award amounts. IDEA revenue received matched approved award amounts. These grants are reimbursement-based, meaning this variance has no impact on the School District's bottom line. These amounts will be carried over into the 2020-21 year.
- Incoming Transfers and Other Sources higher than estimated: \$69,000 – This category represents indirect cost recovery from the food service fund, as well as irregular or non-recurring items like sale of fixed assets, insurance claim reimbursements, and prior period adjustments. The allowable food service indirect amount was higher than budgeted and is governed by Michigan Department of Education guidelines. A year-end reclassification of several miscellaneous items contributed to the difference between budget estimates and final figures.
- Revenue lower than budgeted: approximately (\$226,291) or about 0.58% of the \$38.9 million budget.

Expenditures

Budget variances in expenditures by functional category are highlighted below.

- Instruction - approximately (\$200,000) under budget or approximately 0.8% of this category. The pandemic caused some projected costs to not be paid out by June 30, 2020.
- Pupil and Instructional staff support - approximately (\$49,000) under budget or approximately 1% of this category. Several areas came in under budget due to the lack of payment due to contracted support. Contracts were not filled due to the COVID-19 pandemic.
- Business and Administration - approximately (\$98,000) under budget or approximately 3.5% of this category. Salaries and wages were about \$70,000 under budget, or about 2.5% of the over \$2 million budgeted.

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- Purchased services came in under budget, as costs for professional services were lower than estimated, and the School District continues to experience savings on its printing and copying contract. The remainder of the savings experienced was in office supplies, and the biggest factor here is that the School District is cutting back on how much paper it purchases. This is another success of the copying and printing approach, and it is in line with the School District goal to be “Green and Clean.”
- Operations and Maintenance - approximately (\$27,000) under budget or 0.96% of this category. The School District recognized substantial savings in this department in comparison to previous years strictly related to the COVID-19 pandemic and instruction moving out of the buildings. Savings in utilities equated \$138,000 in comparison to the 2018-19 school year. Overtime for the maintenance staff and contracted custodial costs are also much lower than the previous year which is also directly related to COVID-19. We are still seeing savings as the energy management program and smart spending continues to pay dividends for the School District.
- Transportation - approximately (\$11,789) under budget, or 0.77% of this category. Costs for Title and 31A transportation expenditures came in much lower than anticipated. The District also recognized a savings of \$259,000 from the original budget due to the required shutdown and instruction moving to virtual.
- Athletics - approximately \$4,000 over budget or 0.4% of this category. The variance was largely a result of dues and fees costs, and also the costs of participating in them at other school sites. The School District chose to pay all coaches the budgeted amount whether their season finished or never got started due to the pandemic which is why there is no large savings in comparison to the initial budget.
- Other costs, including community services, interfund transfers, and School District capital outlay - approximately \$900 over budget or 0.5% of this category. These budget savings occurred in community services area of the budget.

Budget variances in expenditures by object category are highlighted below:

General Fund	2019-20	Percent	2019-20	Percent		Percent
<u>Expenditures by Object</u>	<u>Budget</u>	<u>of total</u>	<u>Actual</u>	<u>of total</u>	<u>Variance</u>	<u>of object</u>
Salaries and Wages	\$ 18,829,286	48.1%	\$ 18,767,400	48.5%	\$ 61,886	0.3%
Benefits	13,677,854	35.0%	13,508,955	34.9%	168,899	1.2%
Purchased services	4,001,101	10.2%	3,861,402	10.0%	139,699	3.5%
Supplies	1,311,963	3.4%	1,245,318	3.2%	66,645	5.1%
Capital Outlay	26,768	0.1%	53,054	0.1%	(26,286)	-98.2%
Other	1,259,538	3.2%	1,289,976	3.3%	(30,438)	-2.4%
Total	<u>\$39,106,510</u>	100.0%	<u>\$38,726,105</u>	100.0%	<u>\$ 380,405</u>	1.0%

- Amounts spent on salaries and wages were slightly lower than budgeted, within 0.3% of the \$18.83 million budget.

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- Amounts spent on employee benefits were under budget by approximately \$169,000 or 1.2%, for several reasons. Pension costs were within \$4,000 of estimates, or about 0.06% of the \$7.48 million budget. FICA taxes were about \$24,000 under budgeted estimates of \$1.4 million, or about 1.7%. As employees spend higher amounts for insurance coverage and save more in pre-tax savings programs, the costs of these taxes decline. Insurance benefit costs were about \$142,000 lower than budgeted estimates of approximately \$4,100,000. Ancillary benefits such as dental and vision, came in about \$9,000 under budget. These lines of coverage are partially self-funded and the School District experiences the benefit of lower claims costs.
- Other benefits, including unemployment coverage, workers compensation insurance, retirement benefits, and tuition allowances, came in about \$14,000 over budget. These are relatively small numbers in the scheme of the larger budget.
- Purchased services costs came in under budget by approximately \$140,000, or 3.5% of the \$4 million budgeted. Lower than anticipated substitute costs and snow removal were the driving force behind this variance.
- Supply costs came in approximately \$67,000 under budget, or about 5.1%. Lower than expected instructional and office supplies along with the timing of maintenance invoices is the largest variances in this category.
- Capital outlay spending came in about \$26,000 over budget, or about 97%. This is due to re-classing a few purchases into capital outlay.
- The other category includes costs such as dues and fees, borrowing and interest costs, special education tuition billings, and software licenses, and it was about \$26,000 over budget, or about 2.1%. The majority of this difference is due to building miscellaneous accounts as well as the increase in color printing expenses not accounted for.
- Total expenditure savings: \$380,000 or 1.0% of the total \$38.7 million budget.

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General Fund Year-to-Year Comparison of Actual Results

	<u>2020</u>	<u>2019</u>	<u>Difference</u>
Revenues			
Local revenue			
Local sources	\$ 2,899,209	\$ 3,139,894	\$ (240,685)
Received from other districts	2,234,180	1,681,231	552,949
State revenue	31,451,727	31,824,024	(372,297)
Federal revenue	2,055,545	2,059,804	(4,259)
Transfers and other Sources	99,429	81,493	17,936
Totals revenues	<u>\$ 38,740,090</u>	<u>\$ 38,786,446</u>	<u>\$ (46,356)</u>
Expenditures			
Instruction	\$ 24,196,559	\$ 24,512,045	\$ (315,486)
Instructional support	4,871,707	4,708,070	163,637
Administration	4,220,361	4,142,656	77,705
Maintenance	2,755,486	2,941,905	(186,419)
Transportation	1,539,408	1,616,116	(76,708)
Athletics	962,153	865,680	96,473
Other costs	180,431	178,756	1,675
Total expenditures	<u>\$ 38,726,105</u>	<u>\$ 38,965,228</u>	<u>\$ (239,123)</u>

In comparing 2019-20 results to 2018-19 results, several things become evident. Total revenues decreased by approximately \$46,000 or 0.12% from the 2018-19 total. Looking a little closer, we can identify several important factors by category.

- Local revenue showed a decrease from the previous year. Property taxes and athletic revenue came in slightly lower than the prior year, while interest earnings increased as rates have begun to decline.
- Local revenue received from the ISD and other districts increased by about \$550,000 from 2018-19. MAISD Act 18 distributions increased by a net of almost \$511,000 from to a year ago. This is due to a one time payout of approximately \$710,000 from the MAISD. These had been withheld from the District for several years and received in December 2019.
- State revenue decreased significantly largely due to a loss of K-12 pupil membership as well as the deduction of \$175 per student in August 2020.
- Federal revenue decreased by about \$4,000, a change of about 0.19%. The School District experienced a decrease in Title I-A and Title II-A grant allocations as well as IDEA special education grant funds compared to 2018-19.
- Interfund transfers and other sources increased due to a higher transfer of Food Service indirect cost reimbursement. Several items in this category are irregular and unpredictable.

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Total expenditures decreased by approximately \$239,000 in 2019-20, or 0.61% lower than 2018-19 levels. Almost all of this amount is due to the COVID-19 pandemic. There are several important factors that we can identify when comparing fiscal years:

- Instructional spending decreased by approximately \$315,000 from 2018-19 to 2019-20. This is due to retirement of teaching staff with either no replacement or less expensive as well as any extra duty assignments that were not paid out due to the pandemic.
- Instructional Support costs increased by approximately \$164,000, or about 3.5%. This can be attributed to higher pension as well as added needs.
- Administrative costs increased by approximately \$77,000. This area increased due to higher pension and health care expenses. There were higher costs in salaries due to staffing changes made in 2019-20 in comparison to 2018-19.
- Operations costs decreased by approximately \$186,000. These savings are directly related to having the buildings closed for instruction due to COVID-19.
- Transportation costs decreased by approximately \$77,000. These savings are again related to the shutdown and the lack of need to transport students.
- Athletics spending increased by \$96,000 or 11.1%. Staffing costs increased according to the amount of employee contracts and related benefits, including increased pension costs. There was also a one-time \$25,000 investment in equipment that did not happen in 2018-19.
- Other costs increased by \$2,000. Community services accounts for most of this increase. Much of this is determined by grant fund budgets.

General Fund Revenue and Other Financing Sources

Revenues	<u>2019-20</u>	<u>Percent</u>	<u>2018-19</u>	<u>Percent</u>
State revenue	\$ 31,451,727	81.2%	\$ 31,824,024	82.0%
Local sources	2,899,209	7.5%	3,139,894	8.1%
Federal revenue	2,055,545	5.3%	2,059,804	5.3%
Local from other districts	2,234,180	5.8%	1,681,231	4.3%
Other sources	99,429	0.2%	81,493	0.2%
Total revenues	<u>\$38,740,090</u>	<u>100.0%</u>	<u>\$38,786,446</u>	<u>100.0%</u>

As indicated above, funding from the State of Michigan is the School District's largest source of revenue, which accounts for over eighty percent of the total budget. Thus, the financial stability of the School District rests primarily with the economic health of the State of Michigan. Local sources and federal decreased slightly. While the School District planned proactively to deal with these changes, this further highlights the reliance on State revenue which is lower due to the decrease in K-12 pupil membership. Inter-district revenue increased slightly, due to one-time payment of ACT18 funds being held by the MAISD. Other sources increased due to recognizing a higher Food Service indirect cost amount. Items in this area often represent special or non-recurring items which can be unpredictable from year-to-year.

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General Fund Expenditures by Function

Expenditures	2019-20	Percent	2018-19	Percent
Instruction and Instructional Support	\$ 29,068,266	75.1%	\$ 29,220,115	75.0%
Business and Administration	4,220,361	10.9%	4,142,656	10.6%
Maintenance and Operations	2,755,486	7.1%	2,941,905	7.6%
Transportation	1,539,408	4.0%	1,616,116	4.1%
Athletics	962,153	2.5%	865,680	2.2%
Community, Transfers, and Other	180,431	0.5%	178,756	0.5%
Total expenditures	\$ 38,726,105	100.0%	\$ 38,965,228	100.0%

As indicated above, the School District spends over three-quarters of its budget – over \$8,133 per student – on direct classroom instruction and instructional support services. The School District spends 7.1% of its budget or approximately \$770 per pupil on maintenance and operation costs, and 4% or approximately \$431 per pupil on transportation of its students. The percentage spent on business and administration increased slightly in 2019-20 compared to 2018-19, from 10.6% to 10.9%

The Effect of MPSERS Pension Changes

In the 2011-12 fiscal year, the State of Michigan implemented Section 147A MPSERS Offset funding, which provides additional revenue to offset increasing pension costs, without added costs to the School District bottom line. In June 2013, the state announced Section 147C MPSERS Pension Stabilization funding, which provides additional revenue but also increased pension expenditures, leaving no net impact on the bottom line. This program increased total revenue and total expenditures substantially. For a short period of time in 2014-15, the state also distributed pension stabilization funds through Section 147D MPSERS One-Time Liability funding. In 2017-18, the state implemented Section 147E funds to help offset increased defined contribution costs as a result of pension reform and newly-implemented plans. The general fund budget has increased substantially over the last several years as a result of these programs, as shown in the table below:

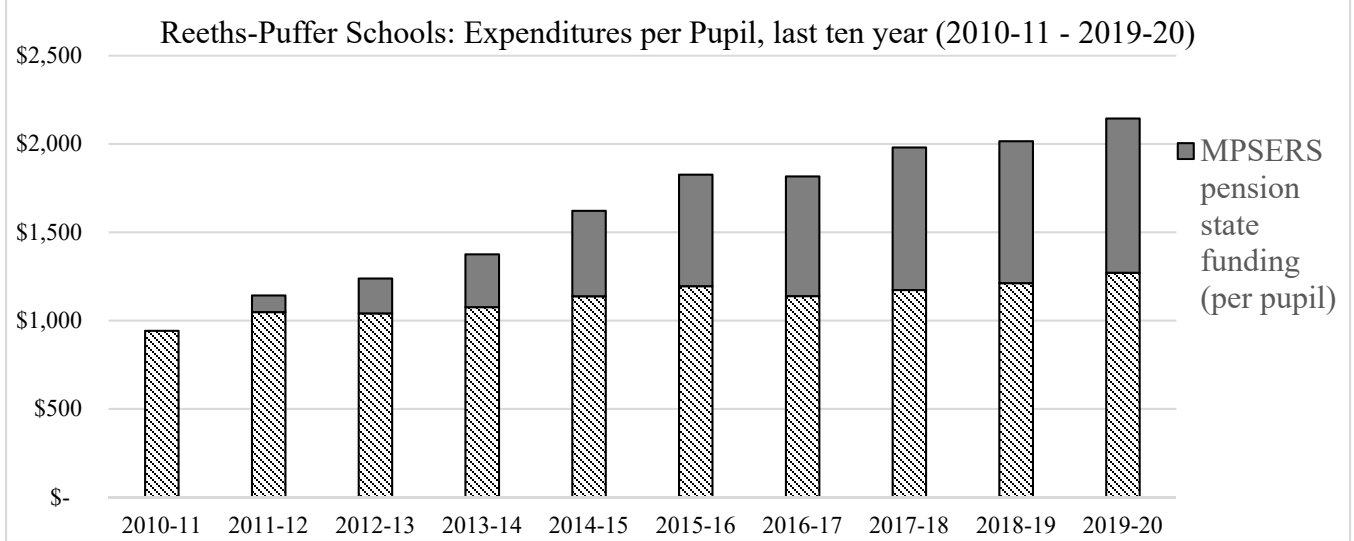
MPSERS State Aid Funding through Section 147

Fiscal Year	% of		% of		% of		% of		% of	
	147A Funding	Payroll	147C Funding	Payroll	147D Funding	Payroll	147E Funding	Payroll	Total Section 147 Funding	Payroll
2011-12	\$ 364,749	2.0%	\$ -	0.0%	\$ -	0.0%	\$ -	0.0%	\$ 364,749	2.0%
2012-13	388,080	2.2%	367,581	2.1%	-	0.0%	-	0.0%	755,661	4.2%
2013-14	247,745	1.4%	916,655	5.1%	-	0.0%	-	0.0%	1,164,400	6.4%
2014-15	254,922	1.4%	1,565,454	8.6%	45,505	0.2%	-	0.0%	1,865,881	10.2%
2015-16	263,761	1.4%	2,130,329	11.5%	-	0.0%	-	0.0%	2,394,090	12.9%
2016-17	261,534	1.5%	2,317,651	12.9%	-	0.0%	-	0.0%	2,579,185	14.4%
2017-18	374,636	2.0%	2,685,964	14.3%	-	0.0%	29,208	0.2%	3,089,808	16.5%
2018-19	475,346	2.6%	2,458,840	13.2%	-	0.0%	45,786	0.2%	2,979,972	16.0%
2019-20	660,506	3.5%	2,400,195	12.8%	-	0.0%	58,576	0.3%	3,119,277	16.6%
Cumulative Total	\$3,291,279		\$14,842,669		\$ 45,505		\$ 133,570		\$18,313,023	

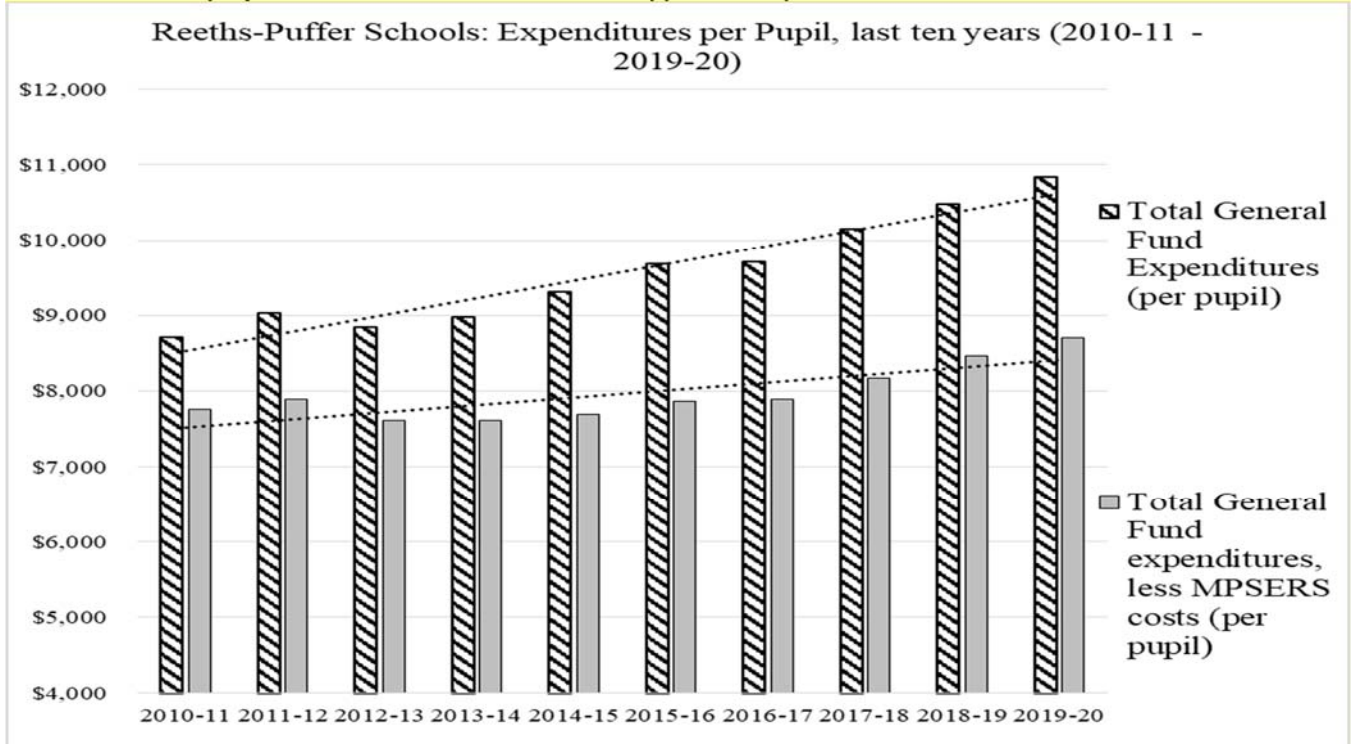
These amounts, while helping the School District deal with skyrocketing pension costs, have inflated School District costs as well. The total per-pupil pension obligation of the School District has almost doubled over the past eight years, from \$1,178 in 2011-12 to \$2,144 in 2019-20.

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 For the Fiscal Year Ended June 30, 2020

The per-pupil cost net of funding for 2019-20 was \$1,271 per-pupil. Even compared to eight years ago, when the State of Michigan started Section 147 funding, the School District's net cost has increased over \$500,000 per year. The trend over the last ten years is illustrated on a per-pupil basis in the graph below.



Without the additional funding and extra expenditures, the School District's total general fund budget would be closer to \$36 million in 2019-20 instead of approximately \$38.5 million. The impact, shown in the graph below, is that while the School District is spending more per-pupil in total, there is a larger portion that is going back into the State of Michigan MPSERS pension system. This means there is a flat or declining amount of resources that can be devoted to employee salaries, insurance benefits, supplies, and purchased services.



Reeths-Puffer Schools
MANAGEMENT’S DISCUSSION AND ANALYSIS
 For the Fiscal Year Ended June 30, 2020

<u>Other Governmental Funds - June 30, 2020</u>				
	<u>Technology and Security</u>	<u>Food Service</u>	<u>Debt Service</u>	<u>Building and Site</u>
Beginning Balance	\$ 55,624	\$ 169,529	\$ 276,990	\$ 331,440
Revenues	835,395	1,507,055	12,725,391	211,203
Expenditures	795,384	1,672,011	12,694,023	152,025
Ending Balance	\$ 95,635	\$ 4,573	\$ 308,358	\$ 390,618

As shown above, the School District accounts for portions of its operations in separate funds from the General Fund. Generally, the classifications shown above are required by law. Each area shown above retains a healthy, appropriate amount of fund balance at June 30, 2020.

The Technology and Security Fund was added as a non-major special revenue fund, effective July 1, 2014. The voters of Muskegon Area ISD approved a 10-year, 1 mill levy to local districts in February 2014 to fund technology and security enhancements. The levy is received countywide and distributed to the eleven districts on a per-pupil basis. Reeths-Puffer began receiving property tax receipts through Muskegon Area ISD starting in July 2014.

The School District’s annual allocation is approximately \$685,000. As the School District enters the sixth year of the ten-year millage, we are proud of the accomplishments of this program. The School District has improved school security at all sites, installed secure entrances at all buildings, implemented a new police liaison program, strengthened the technology infrastructure and backbone, and provided for numerous student and staff technology devices. Future plans include further investments in instructional technology to ensure that all students have technology to learn virtually if needed due to the ongoing pandemic.

More detail on each fund or fund type shown above is available in the other supplemental information section of the CAFR.

Currently known facts, decisions, and conditions affecting the 2020-21 School Year

2020-21 Initial General Fund Budget (June 2020 Budget Hearing)

The adopted budget for the 2020-21 fiscal year projects an operational deficit of (\$695,391). This budget will be amended to reflect updated factors such as foundation grant information, actual student counts, and final staffing levels. This budget is based upon certain assumptions as well as over \$1.2 million in estimated reductions. The main assumptions for the 2020-21 budget are:

- State Aid Revenue – this budget is prepared based upon the state holding us harmless in funding due to the COVID-19 pandemic. At this time, we do not have a solid timeline for the passage of the state’s budget. Early forecasts show the School Aid Fund down \$1.5 billion due to COVID-19. Our assumption in this budget is that the federal government will help supplement the deficit at the state level. Recommended assumptions include:
 - The per-pupil foundation allowance will stay flat with the 2019-20 per pupil which is \$8,111.
 - At-Risk Section 31A – we have not seen a budget to know what the allocation may be for the 2020-21 school year. We do believe that we will see the deduct we received in the 2019-20 school year return. This is estimated to net an increase of approximately \$56,000. This grant helps to fund supplemental instructional and student service positions, as well as early elementary literacy and district-wide PBIS initiatives.

Reeths-Puffer Schools
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2020

- Section 35 early literacy funding of approximately \$49,000 – continued at same level as 2019-20.
- Section 147 pension funding of nearly \$3.1 million – more detail below. The Governor, Senate, and House all agree increase section 147a funding to help districts deal with a base pension rate increase from 27.5% to 28.21%. This is projected to yield over \$250,000 to help offset nearly \$270,000 in increased expenditures.
- Special education expenditure reimbursement – continued at the same level as 2019-20. This nets the district approximately \$131,000 in additional funding to help offset additional special education expenses not reimbursed.
- Pupil Count – total projected pupil count of 3,597 for 2020-21. There are several components to this:
 - Traditional K-12 count – projected flat with 2019-20 levels, at 3,574 FTE.
 - Alternative education student count – projected flat with 2019-20 levels, at 26 FTE.
 - We are basing this based upon the state holding us harmless in pupil count due to the COVID-19 pandemic.
- MPSERS pension expenditures and state funding assumptions include:
 - The base pension rate will increase from 27.5% to 28.21%, and defined contribution costs will continue to increase as new employees participate in new state plans with higher rates. This base rate increase will increase expenditures by nearly \$270,000 in 2020-21.
 - The total projected pension rate is approximately 41.01%, up from about 40.3% in 2019-20. Section 147c expenditures are projected at 12.7%, the same rate as 2019-20.
 - Section 147 MPSERS funding – we do not expect 147a funding to increase but remain at the same rate as 2019-20, we expect 147c funding to continue at current levels.
 - Section 147c funding is projected to continue at approximately \$2,400,000, the same level as 2019-20. This equates to about 12.7% of projected payroll costs for 2020-21, and about \$667 per pupil.
 - Section 147e is currently projected at \$41,000. This was implemented in 2017-18 to help districts deal with increased defined contribution costs for new employees and has been continued.
 - Total projected pension expenditures are slightly over \$7.5 million, down slightly from last year's total of nearly \$7.7 million. This represents over 19% of general fund expenditures.
- Grant Revenue Assumptions:
 - Title I-A – The projected grant budget for 2020-21 is approximately \$423,000, a decrease of approximately \$104,000 from 2019-20. Initial allocations from MDE are always made conservatively, and the final grant award will likely be known in fall 2020, after school starts. We are hoping that the final allocation will come in much higher. We will continue the plan implemented in 2019-20 and use a combination of Title I-A, Title II-A, Section 31A At-Risk, and Section 35 Early Literacy to fund current interventionist and coaching positions focused on math and literacy.
 - Title II-A – Our initial allocation for 2020-21 is approximately \$100,000, a decline of approximately \$16,000 compared to the 2019-20 amount. The District will continue to use a combination of Title I-A, Title II-A, Section 35, and Section 31A to fund math and literacy initiatives in 2020-21.
 - Title III – This was a new grant source in 2015-16, and is projected to continue, with a 2020-21 allocation of approximately \$600.

Reeths-Puffer Schools
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2020

- Title IV – This was a new grant source in 2017-18, and is projected to continue. The projected 2020-21 allocation is about \$34,000, a slight increase from last year's \$33,000. The preliminary budget for this grant will address certain professional development needs.
- Indian Ed – This grant is expected to continue, with an allocation of approximately \$25,000. This grant will continue to provide supplementary tutoring services to students.
- IDEA – Per-student allocations passed through MAISD are projected to be very similar to 2019-20. Slight staffing and other cost adjustments have been made in the initial 2020-21 budget. The four-district NSU consortium will continue in 2020-21. The total projected revenue available among three IDEA grants is approximately \$1,350,000, a slight decrease from 2019-20 levels.
- State of Michigan Section 35 Early Literacy – projected at approximately \$49,000. This allocation will likely be finalized in fall 2020, after school starts. The District has used this grant to help pay for a portion of reading specialist positions as well as funding MEC tutors at the elementary level.
- Staffing and compensation – employee wages and benefits account for 82.2% of the initial 2020-21 budget. The R-PEA and OPPA contracts are settled for the 2020-21 school year. The MTFS contract is currently under negotiations. Major staffing assumptions include:
 - Salary increases for teaching staff per the terms of the 2018-2021 R-PEA master agreement, the 2018-2021 R-P OPPA master agreement. The results of the MTFS contract are yet to be known.
 - Increased health insurance caps at a rate of 2% district-wide, as allowed by Public Act 152 of 2011.
 - Teaching staff reduction of approximately 4.5 FTE, with reductions made by attrition. This matches current staffing projections as of the date of the budget hearing.
 - No other staffing cost increases unless contracts were already settled prior to the preparation of this initial budget.
- Total salaries and wages for the District are projected at about \$18.41 million, or about 47.0% of our total general fund expenditures.
- Insurance benefits – insurance costs are projected to increase by 2%, or the allowable percentage increase under PA 152. Total insurance benefits are projected at about \$4.3 million, or about 10.9% of general fund expenditures.
- Updated allocations for other major contracts and district curriculum and operational needs, have resulted in slight changes in other areas of the budget compared to 2019-20 amounts.

This proposed budget factors all assumptions above and includes total revenue of approximately \$38.5 million in revenue and \$39.2 million in expenditures, for a projected spending deficit of \$695,000. The estimated beginning fund balance for 2020-21 is approximately \$3.41 million, or 8.7% of 2019-20 expenditures, and this initial budget will leave a fund balance of approximately \$2.71 million at the conclusion of the year, or 6.9% of projected 2020-21 expenditures.

Reeths-Puffer Schools
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2020

Consumers Energy Property Tax Appeal and Effects of Public Act 437 of 2012

In October 2011, management became aware of significant property tax appeals entered into by Consumers Energy, the School District's largest taxpayer. On June 26, 2012, the City of Muskegon and Consumers Energy entered into a stipulation agreement that resulted in paybacks of over \$4.5 million in property tax refunds to Consumers. Of this total, nearly \$2 million was the responsibility of Reeths-Puffer Schools. Payments were made during 2012-13 to clear the School District of liabilities that were previously accrued. Over \$1.36 million in operating tax refunds was paid in August 2012, with the remainder of approximately \$635,000 paid in January 2013.

Current and future taxable values have been negotiated between the City of Muskegon and Consumers Energy, with the total Consumers value in the Reeths-Puffer School District declining from over \$77 million in 2012, to approximately \$14.9 million as of June 30, 2020. The impact of these declines, along with the implementation of Public Act 437 of 2012, forced the School District to increase tax rates for several years.

Public Act 437 of 2012 requires a recalculation of the School District's millage rate since the School District participates in the School Bond Loan Fund. This recalculation is used to gauge compliance with the mandatory loan repayment date (MLRD), which occurs in the year 2033. A significant taxable value loss such as this is very likely to put the School District into MLRD non-compliance, which then requires a millage increase.

The millage rate for 2014-15 was increased by 1.0 mills to 9.37 mills, or an 11.49% increase, equal to the loss in taxable values experienced over the past five years. For 2015-16, a slight taxable value increase was experienced by the School District. This increase forced the School District to gain compliance with the MLRD, meaning an even bigger increase to 10.82 mills. For 2016-17, the School District was fortunate to be able to reduce the millage rate to 10.39 mills based upon some modest growth and the impact of outstanding bonds being refinanced at lower interest rates. In 2017-18, the same was true, as taxable values grew, and the School District experienced the positive impact of refinancing efforts, and the rate was reduced again to 9.75 mills. In 2018-19, the millage rate once again dropped, this time to 9.10 mills. The millage rate dropped in 2019-20 to 8.75 mills and will remain at the same level for 2020-21.

During 2015-16, 2016-17, and 2019-20 the School District refinanced all five possible bond issues at lower interest rates, saving taxpayers money. Administration has seen the positive impacts of these changes in impact to the 2019-20 and 2019-21 levy. We are hopeful that taking advantage of these refinancing opportunities will help mitigate any potential future millage increases, and will help the School District stabilize and reduce the millage rate in the longer term.

Reeths-Puffer Schools
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2020

Post-Retirement Benefits

For several years, the School District has used this space to disclose information about its post-retirement benefit plan, above and beyond what was required. This plan was created as a result of clauses in the collective bargaining agreement with the R-PEA, which guarantees certain insurance payments for up to ten years after retirement from the School District. With the implementation of GASB Statement Number 75, the School District is now required to recognize this liability in the full-accrual financial statements and make certain disclosures within the financial statements and related footnotes.

Employee Contracts (MEA affiliates)

As of the report date, the R-PEA and R-P OPPA are the two organized labor groups under contract for the 2020-21 school year. The R-PEA certified staff contract, covering teachers and non-teaching professional instructional support, was ratified in August, 2018, and expires August 15, 2021. The R-P MTFS contract, covering the maintenance, food service, and transportation group, was ratified in June, 2018, and expired June 30, 2020. The District and the R-P MTFS are currently in negotiations to settle the expired contract. The R-P OPPA contract, covering the secretarial and para-professional group, was ratified in August, 2018, and expires June 30, 2021.

The COVID-19 Pandemic

On March 12, 2020, Governor Gretchen Whitmer ordered all school buildings to close for in person instruction at the end of day March 13, 2020 due to the Coronavirus COVID-19 pandemic. Ten days after the buildings were closed to students, an Emergency Stay in Place order was ordered for all Michigan residents with the exception of those who qualified as an essential worker. At the time of this report, not all businesses have been approved to open up to the public. The affect this pandemic has had on our local economy is unprecedented which is evident by the current unemployment rate provided in the statistical section of this report. While there has been significant federal relief to date, it is highly unlikely that this type of support can continue through the expected duration of this pandemic. The District will continue to monitor all possible financial effects that COVID-19 will undoubtedly have.

Requests for Information

This financial report is designed to provide the School District's citizens, taxpayers, parents, students, investors, and creditors with a general overview of the School District's finances and to show how the School District accounts for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Tracey French, Director of Finance, Reeths-Puffer Schools, 991 W. Giles Road, Muskegon, Michigan 49445, telephone number (231) 719-3110.

Reeths-Puffer Schools
STATEMENT OF NET POSITION
June 30, 2020

	Governmental activities
ASSETS	
Current assets	
Cash and cash equivalents	\$ 2,304,841
Investments	3,360,000
Receivables	108,387
Due from other governmental units	6,239,192
Inventories	22,895
Prepaid items	39,824
Total current assets	12,075,139
Noncurrent assets	
Capital assets, net	
Nondepreciable	934,170
Depreciable	43,371,767
Total noncurrent assets	44,305,937
Total assets	56,381,076
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charges on refunding	434,935
Related to other postemployment benefits	6,608,197
Related to pensions	20,467,819
Total deferred outflows of resources	27,510,951
Total assets and deferred outflows of resources	83,892,027
LIABILITIES	
Current liabilities	
State aid loans	4,200,000
Accounts payable and accrued liabilities	3,295,374
Due to other governmental units	474,474
Unearned revenue	24,023
Bonds and other obligations, due within one year	11,473,008
Total current liabilities	19,466,879
Noncurrent liabilities	
Bonds and other obligations, less amounts due within one year	58,984,604
Net other postemployment benefits liability	20,183,142
Net pension liability	72,868,641
Total noncurrent liabilities	152,036,387
Total liabilities	171,503,266
DEFERRED INFLOWS OF RESOURCES	
Related to other postemployment benefits	6,444,093
Related to pensions	5,413,292
Total deferred inflows of resources	11,857,385
Total liabilities and deferred inflows of resources	183,360,651
NET POSITION	
Net investment in capital assets	9,544,123
Restricted	
Debt service	23,362
Technology	95,635
Unrestricted	(109,131,744)
Total net position	\$ (99,468,624)

The accompanying notes are an integral part of this statement.

Reeths-Puffer Schools
STATEMENT OF ACTIVITIES
For the year ended June 30, 2020

<i>Functions/Programs</i>	<u>Expenses</u>	<u>Program Revenue</u>		Net (Expense) Revenue and Changes in Net Position
		<u>Charges for services</u>	<u>Operating grants and contributions</u>	<u>Governmental activities</u>
Governmental activities				
Instruction	\$ 28,814,805	\$ -	\$ 6,768,029	\$ (22,046,776)
Support services	15,509,493	26,377	4,068,401	(11,414,715)
Community services	41,444	-	44,461	3,017
Food services	1,706,754	301,037	1,193,535	(212,182)
Athletics	1,152,252	115,529	-	(1,036,723)
Interest on long-term debt	2,519,391	-	-	(2,519,391)
Unallocated depreciation and amortization	39,715	-	-	(39,715)
Total governmental activities	<u>\$ 49,783,854</u>	<u>\$ 442,943</u>	<u>\$ 12,074,426</u>	(37,266,485)
General revenues				
Property taxes				8,401,656
Grants and contributions not restricted to specific programs				25,634,216
Investment earnings				57,490
Miscellaneous				339,338
Gain on sale of capital assets				5,821
Total general revenues				<u>34,438,521</u>
Change in net position				(2,827,964)
Net position at beginning of year				<u>(96,640,660)</u>
Net position at end of year				<u>\$ (99,468,624)</u>

The accompanying notes are an integral part of this statement.

Reeths-Puffer Schools
BALANCE SHEET
 Governmental Funds
 June 30, 2020

	General Fund	2019 Refunding Bonds	Other governmental funds	Total governmental funds
ASSETS				
Cash and cash equivalents	\$ 1,634,118	\$ 4	\$ 670,719	\$ 2,304,841
Investments	3,360,000	-	-	3,360,000
Receivables	108,387	-	-	108,387
Due from other governmental units	6,202,783	-	36,409	6,239,192
Due from other funds	249,429	-	345,142	594,571
Inventories	-	-	22,895	22,895
Prepaid items	11,289	-	28,535	39,824
Total assets	\$ 11,566,006	\$ 4	\$ 1,103,700	\$ 12,669,710
LIABILITIES				
State aid loans	\$ 4,200,000	\$ -	\$ -	\$ 4,200,000
Accounts payable	94,175	-	31,528	125,703
Accrued liabilities	2,884,671	-	-	2,884,671
Due to other governmental units	474,474	-	-	474,474
Due to other funds	345,142	-	249,429	594,571
Unearned revenue	464	-	23,559	24,023
Total liabilities	7,998,926	-	304,516	8,303,442
FUND BALANCES				
Nonspendable				
Inventories	-	-	22,895	22,895
Prepaid items	11,289	-	28,535	39,824
Restricted				
Debt service	-	4	308,358	308,362
Technology	-	-	72,185	72,185
Committed for capital projects	-	-	390,618	390,618
Assigned to subsequent year's budget appropriations	695,391	-	-	695,391
Unassigned	2,860,400	-	(23,407)	2,836,993
Total fund balances	3,567,080	4	799,184	4,366,268
Total liabilities and fund balances	\$ 11,566,006	\$ 4	\$ 1,103,700	\$ 12,669,710

The accompanying notes are an integral part of this statement.

Reeths-Puffer Schools
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET POSITION**
 June 30, 2020

Total fund balances—governmental funds \$ 4,366,268

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and are not reported in the governmental funds.

Cost of capital assets	\$ 80,055,600	
Accumulated depreciation	<u>(35,749,663)</u>	44,305,937

Deferred charges on refunding are not capitalized and amortized in the governmental funds.

Deferred charges on refunding	1,072,170	
Accumulated amortization	<u>(637,235)</u>	434,935

Deferred inflows and outflows of resources related to pensions and other postemployment benefits are not reported in the governmental funds.

Deferred outflows of resources - related to other postemployment benefits	6,608,197	
Deferred inflows of resources - related to other postemployment benefits	(6,444,093)	
Deferred outflows of resources - related to pensions	20,467,819	
Deferred inflows of resources - related to pensions	<u>(5,413,292)</u>	15,218,631

Accrued interest in governmental activities is not reported in the governmental funds.

(285,000)

Long-term obligations in governmental activities are not due and payable in the current period and are not reported in the governmental funds.

(163,509,395)

Net position of governmental activities

\$ (99,468,624)

The accompanying notes are an integral part of this statement.

Reeths-Puffer Schools
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Government Funds
For the year ended June 30, 2020

	General Fund	2019 Refunding Bonds	Other governmental funds	Total governmental funds
REVENUES				
Local sources				
Property taxes	\$ 2,666,776	\$ -	\$ 5,610,550	\$ 8,277,326
Received from other districts	2,234,180	-	683,490	2,917,670
Investment earnings	48,523	61	8,906	57,490
Fees and charges	141,906	-	301,037	442,943
Other	42,004	-	179,318	221,322
Total local sources	5,133,389	61	6,783,301	11,916,751
State sources	31,451,727	-	180,275	31,632,002
Federal sources	2,055,545	-	1,105,954	3,161,499
Total revenues	38,640,661	61	8,069,530	46,710,252
EXPENDITURES				
Current				
Instruction	24,196,559	-	-	24,196,559
Support services	14,349,115	-	696,527	15,045,642
Community services	40,886	-	-	40,886
Food services	-	-	1,612,011	1,612,011
Debt service				
Principal	61,377	21,037,000	8,969,241	30,067,618
Interest and other charges	4,982	246,106	3,823,639	4,074,727
Bond issuance costs	-	175,417	-	175,417
Capital projects	-	-	152,025	152,025
Total expenditures	38,652,919	21,458,523	15,253,443	75,364,885
Excess (deficiency) of revenues over (under) expenditures	(12,258)	(21,458,462)	(7,183,913)	(28,654,633)
OTHER FINANCING SOURCES (USES)				
Transfers in	60,000	-	73,186	133,186
Transfers out	(73,186)	-	(60,000)	(133,186)
Loan proceeds	-	-	6,984,423	6,984,423
Proceeds of refunding bonds	-	21,215,000	-	21,215,000
Premium proceeds of refunding bonds	-	243,466	-	243,466
Proceeds from sale of capital assets	5,821	-	-	5,821
Other transactions	33,608	-	151,905	185,513
Total other financing sources	26,243	21,458,466	7,149,514	28,634,223
Net change in fund balances	13,985	4	(34,399)	(20,410)
Fund balances at beginning of year	3,553,095	-	833,583	4,386,678
Fund balances at end of year	\$ 3,567,080	\$ 4	\$ 799,184	\$ 4,366,268

The accompanying notes are an integral part of this statement.

Reeths-Puffer Schools
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**
For the year ended June 30, 2020

Net change in fund balances—total governmental funds \$ (20,410)

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

Governmental funds report outlays for capital assets as expenditures; in the Statement of Activities these costs are depreciated over their estimated useful lives.

Depreciation expense	\$ (2,241,707)	
Capital outlay	<u>521,990</u>	(1,719,717)

Governmental funds report the entire proceeds from the sale of capital assets as revenue, but the Statement of Activities reports only the gain or loss on the sale or disposition of capital assets. (49,437)

Governmental funds report outflows for deferred charges on refunding as expenditures; in the Statement of Activities these costs are amortized over the bond period. (91,629)

Debt proceeds are other financing sources in the governmental funds, but debt proceeds and accrued interest added to principal increase long-term debt in the Statement of Net Position. (29,220,471)

Repayment of principal on long-term obligations is an expenditure in the governmental funds, but the repayment reduces long-term obligations in the Statement of Net Position. 32,715,582

Interest expense on long-term obligations is recorded in the Statement of Activities when incurred, but is not reported in governmental funds until paid. (48,000)

Compensated absences and early retirement obligations reported in the Statement of Activities do not require the use of current financial resources. They are reported as expenditures when financial resources are used in the governmental funds. 1,446

Some other postemployment benefit related 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 governmental funds. 884,304

Some pension related 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 governmental funds. (5,279,632)

Change in net position of governmental activities \$ (2,827,964)

The accompanying notes are an integral part of this statement.

Reeths-Puffer Schools
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
Fiduciary Funds
June 30, 2020

	<u>Agency funds</u>
ASSETS	
Cash and cash equivalents	<u><u>\$ 486,222</u></u>
LIABILITIES	
Accounts payable	\$ 116,434
Deposits held for others	<u>369,788</u>
	<u><u>\$ 486,222</u></u>

The accompanying notes are an integral part of this statement.

Reeths-Puffer Schools
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Reeths-Puffer Schools (School District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the School District's accounting policies are described below.

Reporting Entity

The School District is governed by an elected seven-member Board of Education (Board), which has responsibility and control over all activities related to public school education within the School District. The School District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities.

Generally accepted accounting principles require that if the School District is considered to be financially accountable for other organizations, those organizations should be included as component units in the School District's financial statements. Since no organizations met this criterion, none are included in the financial statements.

Basis of Presentation—Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the School District. All fiduciary activities are reported only in the fund financial statements. Governmental activities normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions.

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

The fund financial statements provide information about the School District's funds, including its fiduciary funds. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The School District reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the School District, except those required to be accounted for in another fund.

The 2019 Refunding Bonds Fund accounts for the resources accumulated and payments made for principal and interest on the long-term obligation of the bonds.

Reeths-Puffer Schools
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Basis of Presentation—Government-wide and Fund Financial Statements—Continued

Additionally, the School District reports the following fund types:

The special revenue funds account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The School District accounts for its food service activities and technology millage activities in the special revenue funds.

The debt service funds account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The capital projects funds account for the financial resources to be used for the acquisition of fixed assets or construction of major capital projects.

The agency funds are custodial in nature and used to account for assets held by the School District as an agent for another organization or individual.

During the course of operations the School District has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues 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.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, early retirement obligations and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Reeths-Puffer Schools
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Measurement Focus and Basis of Accounting—Continued

Property taxes, state and federal aid, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end).

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the school districts. For the current fiscal year, the foundation allowance was based on pupil membership counts taken in October and February.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills on Principal Residence Exemption (PRE) property and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-PRE property taxes which may be levied at a rate of up to 18 mills. The state revenue is recognized during the foundation period and is funded through payments from October to August. Thus, the unpaid portion at June 30 is reported as due from other governmental units.

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

All other revenue items are considered to be measurable and available only when cash is received by the government.

The agency fund has no measurement focus, but utilizes the accrual basis of accounting for reporting its assets and liabilities.

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

Cash and Investments

The School District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments for the School District are reported at fair value (generally based on quoted market prices). Standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the School District intends to hold the investment until maturity.

Reeths-Puffer Schools
NOTES TO FINANCIAL STATEMENTS
 June 30, 2020

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

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

Cash and Investments—Continued

State statutes authorize the School District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The School District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above. The School District's deposits and investments are in accordance with statutory authority.

Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out method. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the School District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year.

As the School District constructs or acquires additional capital assets each period, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their acquisition value.

Land and construction in progress are not depreciated. The other property, plant, and equipment, of the School District are depreciated using the straight-line method over the following estimated useful lives:

<u>Capital Asset Classes</u>	<u>Years</u>
Land improvements	20
Buildings and improvements	10-50
Furniture and equipment	5-20
Vehicles	10

Reeths-Puffer Schools
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

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

Long-term Obligations

In the government-wide financial statements, long-term debt and other long term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as expenses in the year in which they are incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond 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 on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Defined Benefit Plans

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

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditures) until that time.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts of net position to report as restricted and unrestricted in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the School District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

In the computation of net investment in capital assets, the 2015 Refunding Bonds Series B, 2019 Refunding Bonds and GO School Loan Revolving Fund debt are not considered to be capital related debt.

Reeths-Puffer Schools
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

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

Fund Balance Flow Assumptions

Sometimes the School District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the School District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the School District's highest level of decision-making authority. The Board of Education is the highest level of decision-making authority for the School District that can, by formal action prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by formal action remains in place until a similar action is taken (another formal action) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as committed. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Revenues and Expenditures/Expenses

Program Revenues

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, unrestricted state aid, interest and other internally dedicated resources are reported as general revenues rather than as program revenues.

Property Taxes

Property taxes levied by the School District are collected by various municipalities and periodically remitted to the School District. The taxes are levied as of December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due date is February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

Reeths-Puffer Schools
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Revenues and Expenditures/Expenses—Continued

Compensated Absences

The liability for compensated absences reported in the government-wide statement consists of unpaid, accumulated annual and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

For fund financial statements, no compensated absence liability is reported for current employees, and a compensated absence liability is reported for terminated employees only when the termination date is on or before year end.

Early Retirement Obligations

For government-wide financial statements, the liability for early retirement obligations is reported when legally enforceable. For fund financial statements, the liability for early retirement obligations is reported either 1) on the due date when there is a specified due date or 2) on the retirement date if it is before year end, when there is not a specified legally enforceable due date.

NOTE B—STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the General Fund and special revenue funds. All annual appropriations lapse at year end.

The School District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by Board of Education resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, in the General Fund are noted in the required supplementary information section.
4. The Director of Finance is authorized to transfer budgeted amounts within major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the Board of Education.
5. Formal budgetary integration is employed as a management control device during the year.
6. The budget is amended during the year with supplemental appropriations, the last one approved prior to June 30, 2020.

Reeths-Puffer Schools
NOTES TO FINANCIAL STATEMENTS
 June 30, 2020

NOTE C—DEPOSITS AND INVESTMENTS

As of June 30, 2020, the School District had the following investments:

Investment Type	Fair value	Weighted average maturity (Days)	Standard & Poor's rating	Percent
U.S. Treasury obligations				
State and local government series	<u>\$ 3,360,000</u>	50	Not rated	<u>100%</u>

Interest rate risk

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

Credit risk

State law limits investments in commercial paper and corporate bonds to the three highest classifications issued by nationally recognized statistical rating organizations. The School District has no investment policy that would further limit its investment choices.

Concentration of credit risk

The School District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the School District 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 bank failure, the School District's deposits may not be returned to it. As of June 30, 2020, \$2,684,164 of the School District's bank balance of \$3,184,164 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk - investments

The School District does not have a custodial credit risk policy for investments. This is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Foreign currency risk

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

Restricted investments

Restrictions were placed on assets by bond agreements. At June 30, 2020, the General Fund investments include \$3,360,000 which is in a set-a-side account and is restricted for payment of the outstanding state aid loan.

Reeths-Puffer Schools
NOTES TO FINANCIAL STATEMENTS
 June 30, 2020

NOTE D—FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the School District has the ability to access.

Level 2 Inputs to the valuation methodology include the following:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2020.

U.S. Treasury obligations: Valued at the closing price reported on the active market on which the individual securities are traded.

The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the School District believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the School District's assets at fair value on a recurring basis as of June 30, 2020:

	Assets at Fair Value as of	
	June 30, 2020	
	Level 1	Total
U.S. Treasury obligations	\$ 3,360,000	\$ 3,360,000

Reeths-Puffer Schools
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE E—DUE FROM OTHER GOVERNMENTAL UNITS

The composition of the due from other governmental units balance as of June 30, 2020 is as follows:

<u>Receivable from</u>	<u>General Fund</u>	<u>Other Governmental Funds</u>
Other local school districts	\$ 125,344	\$ -
Intermediate School District	260,368	36,409
Townships	440	-
Counties	359,727	-
State of Michigan	5,450,896	-
Federal Government	6,008	-
	<u>\$ 6,202,783</u>	<u>\$ 36,409</u>

NOTE F—CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020 was as follows:

	<u>Balance July 1, 2019</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2020</u>
Capital assets, not being depreciated:				
Land	\$ 474,150	\$ -	\$ -	\$ 474,150
Land improvements	460,020	-	-	460,020
Total capital assets, not being depreciated	934,170	-	-	934,170
Capital assets, being depreciated:				
Land improvements	60,148	-	-	60,148
Buildings and improvements	73,941,885	67,000	-	74,008,885
Furniture and equipment	3,428,613	410,530	90,260	3,748,883
Vehicles	1,587,783	44,460	328,729	1,303,514
Total capital assets, being depreciated	79,018,429	521,990	418,989	79,121,430
Less accumulated depreciation:				
Land improvements	32,179	3,007	-	35,186
Buildings and improvements	30,004,743	1,837,275	-	31,842,018
Furniture and equipment	2,428,907	341,510	60,988	2,709,429
Vehicles	1,411,679	59,915	308,564	1,163,030
Total accumulated depreciation	33,877,508	2,241,707	369,552	35,749,663
Total capital assets, being depreciated, net	45,140,921	(1,719,717)	49,437	43,371,767
Capital assets, net	<u>\$ 46,075,091</u>	<u>\$ (1,719,717)</u>	<u>\$ 49,437</u>	<u>\$ 44,305,937</u>

Depreciation

Depreciation expense has been charged to functions as follows:

Instruction	\$ 1,639,374
Support services	477,739
Food services	3,444
Athletics	81,435
Unallocated	39,715
	<u>\$ 2,241,707</u>

Reeths-Puffer Schools
NOTES TO FINANCIAL STATEMENTS
 June 30, 2020

NOTE G—INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2020 is as follows:

Due to/from other funds:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General Fund	Other governmental funds	\$ 249,429
Other governmental funds	General Fund	<u>345,142</u>
		<u>\$ 594,571</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund Transfers

The General Fund transferred \$73,186 to the Building and Site Fund to help fund future improvements. The Food Service Fund transferred \$60,000 to the General Fund to cover allowable indirect costs.

NOTE H—SHORT-TERM DEBT

The School District issues State of Michigan school aid anticipation notes to provide short-term operating funds. The notes are obligations of the General Fund, which received the note proceeds, and are backed by the full faith, credit and resources of the School District. In the event of default, the State of Michigan can withhold future state aid payments. The short-term debt activity for the year ended June 30, 2020 follows:

	<u>Balance</u>		<u>Balance</u>
	<u>July 1, 2019</u>	<u>Additions</u>	<u>June 30, 2020</u>
State aid anticipation note			
2018/2019 2.75% due August 2019	\$ 4,928,360	\$ -	\$ -
2019/2020 1.3% due August 2020	-	4,200,000	4,200,000
	<u>\$ 4,928,360</u>	<u>\$ 4,200,000</u>	<u>\$ 4,200,000</u>

NOTE I—LONG-TERM OBLIGATIONS

The School District issues bonds, notes and other contractual commitments to provide for the acquisition, construction and improvement of major capital facilities and for the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Notes from direct borrowing and direct placements include the School Bond Loan Fund, School Loan Revolving Fund, GO School Loan Revolving Fund, capital lease and installment purchase. The School District's debt retirement funds are used as the primary resource to liquidate long-term liabilities. In the event that such resources proved insufficient, the School District's General Fund would be used to pay such obligations.

Reeths-Puffer Schools
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE I—LONG-TERM OBLIGATIONS—Continued

The following is a summary of long-term obligations activity for the School District for the year ended June 30, 2020:

	Balance			Balance	Due within
	July 1, 2019	Additions	Reductions	June 30, 2020	one year
Governmental activities					
Bonds	\$ 50,204,130	\$ 21,746,103	\$ 11,250,000	\$ 60,700,233	\$ 11,116,932
Premium	1,850,767	-	306,862	1,543,905	-
Discount	(163,445)	(59,402)	(30,283)	(192,564)	-
Notes from direct borrowings and direct placements	21,271,274	7,533,770	21,189,003	7,616,041	155,326
Compensated absences	220,193	95,772	74,968	240,997	80,000
Early retirement obligations	571,250	136,000	158,250	549,000	120,750
Net other postemployment benefits liability	20,537,676	1,698,199	2,052,733	20,183,142	-
Net pension liability	66,272,669	12,785,508	6,189,536	72,868,641	-
	\$ 160,764,514	\$ 43,935,950	\$ 41,191,069	\$ 163,509,395	\$ 11,473,008

In the previous schedule, the additions for bonds include \$531,103 of accrued interest added to principal on capital appreciation bonds and \$21,215,000 of 2019 Refunding Bonds. The additions for notes from direct borrowings and direct placements represent School Bond Loan Fund accrued interest added to principal of \$129, School Loan Revolving Fund accrued interest added to principal of \$176,564, GO School Loan Revolving Fund proceeds of \$7,227,889 and accrued interest added to principal of \$129,188.

In the Statement of Revenues, Expenditures, and Changes in Fund Balance, the loan proceeds total of \$28,442,889 consists of \$21,215,000 in additions for bonds related to the 2019 Refunding Bonds and \$7,227,889 in additions for notes from direct borrowings and direct placements related to the GO School Loan Revolving Fund proceeds.

The governmental activities general obligation bonds are secured by future state aid and property tax revenues of the School District. If the School District defaults, the bonds are callable.

The governmental activity notes from direct borrowings and direct placements are comprised of notes payable to the State of Michigan under the School Bond Loan Funds, the School Loan Revolving Fund and the GO School Loan Revolving Fund which are secured by future state aid and property tax revenues of the School District. In the event of default, the State of Michigan can withhold future state aid payments. The installment purchase agreement is secured by the purchased item and if the School District defaults under either agreement all principal and accrued interest at that time are due and payable immediately. The capital lease is non-cancellable by the School District and is secured by the equipment. The capital lease includes a 10 percent late charge if any payment is not made within 5 days of its original due date.

Reeths-Puffer Schools
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE I—LONG-TERM OBLIGATIONS—Continued

General obligation bonds and notes from direct borrowings and direct placements consist of the following as of June 30, 2020:

	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Balance</u>	<u>Original Amount Issued</u>
Governmental activities				
General obligation bonds				
1992 School Building and Site Capital Appreciation Bond	6.85%	May 2022	\$ 5,355,233	\$ 11,799,969
2010 School Building and Site Qualified School Construction	2.25%	May 2025	7,450,000	10,835,000
2015 Refunding Bonds Series A	4%	May 2029	4,725,000	5,455,000
2015 Refunding Bonds Series B	2.25-2.57%	May 2021	5,830,000	27,930,000
2016 Refunding Bonds	2-4%	May 2027	5,135,000	5,135,000
2017 Refunding Bonds	5%	May 2025	10,990,000	15,415,000
2019 Refunding Bonds	2.05-2.6%	May 2029	21,215,000	21,215,000
			\$ 60,700,233	\$ 97,784,969
Notes from direct borrowings and direct placements				
GO School Loan Revolving Fund	3.44%	May 2033	\$ 7,279,202	N/A
Capital lease - Xerox Machines	5%	June 2021	64,569	\$ 292,163
Installment purchase	2.55%	November 2022	272,270	453,784
			\$ 7,616,041	\$ 745,947

The annual requirements of principal and interest to amortize the bonds, notes from direct borrowings and direct placements, and early retirement obligations outstanding as of June 30, 2020 follow:

Year ended June 30,	Governmental activities					
	Bonds		Notes from Direct Borrowings and Direct Placements		Other	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 11,116,933	\$ 2,106,263	\$ 155,325	\$ 7,577	\$ 120,750	\$ -
2022	5,843,300	1,675,980	90,757	3,471	89,250	-
2023	5,640,000	1,351,252	90,757	1,157	77,250	-
2024	5,850,000	1,148,643	-	-	68,250	-
2025	6,095,000	938,155	-	-	59,250	-
2026-2030	26,155,000	1,668,103	-	-	134,250	-
2031-2033	-	-	7,279,202	-	-	-
	\$ 60,700,233	\$ 8,888,396	\$ 7,616,041	\$ 12,205	\$ 549,000	\$ -

Prior-year Defeasance of Debt

In prior years, the School District defeased certain general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liabilities for the defeased bonds are not included in the School Districts financial statements. On June 30, 2020, \$16.6 million of bonds outstanding are considered defeased.

Reeths-Puffer Schools
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE J—PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Michigan Public School Employees' Retirement System Plans

Plan Description

The Michigan Public School Employees' Retirement System (System or MPSERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System.

The 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).

Benefits Provided – Pension

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Depending on the plan option selected (Basic, Member Investment Plan (MIP), Pension Plus, Pension Plus 2), member retirement benefits for DB plan members are determined by final average compensation, years of service, and a pension factor ranging from 1.25 percent to 1.50 percent. 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. A refund cancels a former member's rights to future benefits. However, returning members who previously received a refund of their contributions may reinstate their service through repayment of the refund upon satisfaction of certain requirements.

Pension Reform 2010

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

Pension Reform 2012

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

Reeths-Puffer Schools
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE J—PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB)—Continued

Michigan Public School Employees' Retirement System Plans—Continued

Benefits Provided –Pension—Continued

Pension Reform 2012—Continued

Employees who first work on or after September 4, 2012, choose between two retirement plans: the Pension Plus plan described above and a DC plan that provides a 50 percent employer match (up to 3 percent of salary) on employee contributions. New employees are automatically enrolled as members in the Pension Plus plan as of their date of hire. They have 75 days from the last day of their first pay period, as reported to ORS, to elect to opt out of the Pension Plus plan and become a qualified participant in the DC plan; if no election is made they will remain in the Pension Plus plan. If they elect to opt out of the Pension Plus plan, their participation in the DC plan will be retroactive to their date of hire.

Employees in the Pension Plus and DC plans are immediately vested in their own contributions and earnings on those contributions. The employee becomes vested in the employer match contribution at the following rates: 50 percent after two years of service, 75 percent after three years of service, and 100 percent after four years of service. Non-vested contributions are forfeited upon termination of employment. Forfeitures during a plan year are credited to a forfeitures account. Forfeitures are first applied to restore any forfeited amounts that are required to be restored. The remaining amounts in the forfeitures account may be maintained in reserve, used to cover a portion of the plan's administrative expenses or offset future employer contributions, as determined by the plan administrator.

Pension Reform 2017

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

Regular Retirement

The pension benefit for DB and Pension Plus plan members is based on a member's years of credited service (employment) and final average compensation (FAC). The FAC is calculated based on the member's highest total wages earned during a specific period of consecutive calendar months divided by the service credit accrued during that same time period. For a Member Investment Plan member, who became a member of MPSERS prior to July 1, 2010, the averaging period is 36 consecutive months. For a Pension Plus member, who became a member of MPSERS after June 30, 2010, the averaging period is 60 consecutive months. For a Basic Plan member, this period is the 60 consecutive months yielding the highest total wages. The annual pension is paid monthly for the lifetime of a retiree. The calculation of a member's pension is determined by their pension election under PA 300 of 2012.

Post-Retirement Adjustments

A retiree who became a Member Investment Plan member prior to July 1, 2010, receives an annual post-retirement non-compounded increase of three percent of the initial pension in the October following twelve months of retirement. Basic Plan members do not receive an annual post-retirement increase, but are eligible to receive a supplemental payment in those years when investment earnings exceed actuarial assumptions. Pension Plus members do not receive an annual post-retirement increase.

Reeths-Puffer Schools
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE J—PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB)—Continued

Michigan Public School Employees' Retirement System Plans—Continued

Benefits Provided –Pension—Continued

Plan Status

The Basic, MIP, and Pension Plus plans are closed to new entrants. The Pension Plus 2 plan and the DC plan are still open to new entrants.

Benefits Provided – OPEB

Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which, through 2012, was funded on a cash disbursement basis. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, prescription drug, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree 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 percent beginning January 1, 2013; 90 percent 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 percent contribution to retiree healthcare and keeping the premium subsidy benefit described above, or choosing not to pay the 3 percent 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 percent employee contribution into their 457 account as of their transition date, earning them a 2 percent employer match into a 401(k) account. Members who selected this option stop paying the 3 percent contribution to retiree healthcare as of the day before their transition date, and their prior contributions were deposited into their 401(k) account.

Contributions – Pension and OPEB

School Districts 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, 2018 valuation will be amortized over a 20-year period for the 2019 fiscal year.

Reeths-Puffer Schools
NOTES TO FINANCIAL STATEMENTS
 June 30, 2020

NOTE J—PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB)—Continued

Michigan Public School Employees' Retirement System Plans—Continued

Contributions – Pension and OPEB—Continued

The schedules below summarize the contribution rates in effect for the System's fiscal year ended September 30, 2019.

Pension Contribution Rates

<u>Benefit Structure</u>	<u>Member</u>	<u>Employer</u>
Basic	0.0 - 4.0 %	18.25 %
Member Investment Plan	3.0 - 7.0	18.25
Pension Plus Plan	3.0 - 6.4	16.46
Pension Plus 2 Plan	6.2	19.59
Defined Contribution	0.0	13.39

OPEB Contribution Rates

<u>Benefit Structure</u>	<u>Member</u>	<u>Employer</u>
Premium Subsidy	3.0 %	7.93 %
Personal Healthcare Fund	0.0	7.57

The School District's pension contributions for the year ended June 30, 2020 were equal to the required contribution total. Pension contributions were approximately \$5,940,000, including Section 147c contributions.

For the year ended June 30, 2020, the School District and employee defined contribution plan contributions were approximately \$106,000 and \$192,000, respectively.

The School District's OPEB contributions for the year ended June 30, 2020 were equal to the required contribution total. OPEB contributions were approximately \$1,520,000.

Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2020, the School District reported a liability of \$72,868,641 for its proportionate share of the net pension liability and a liability of \$15,666,057 for its proportionate share of the net OPEB liability.

The net pension and OPEB liabilities were measured as of September 30, 2019, and the total pension and OPEB liabilities used to calculate the net pension and OPEB liabilities were determined by an actuarial valuation rolled forward from September 30, 2018. The School District's proportion of the net pension and OPEB liabilities was determined by dividing each employer's statutorily required pension and OPEB contributions to the system during the measurement period by the percent of pension and OPEB contributions, respectively, required for all applicable employers during the measurement period. At September 30, 2019 and 2018, the School District's pension proportion was 0.22004 and 0.22045 percent, respectively. At September 30, 2019 and 2018, the School District's OPEB proportion was 0.21826 and 0.22291 percent, respectively.

For the year ended June 30, 2020, the School District recognized pension expense of \$11,291,880 and OPEB expense of \$391,246.

Reeths-Puffer Schools
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE J—PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB)—Continued

Michigan Public School Employees' Retirement System Plans—Continued

Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources—Continued

At June 30, 2020, the School District reported deferred outflows of resources and deferred inflows of resources from the following sources:

	<u>Pension</u>		<u>OPEB</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 326,620	\$ 303,855	\$ -	\$ 5,748,319
Changes of assumptions	14,267,731	-	3,394,518	-
Net difference between projected and actual earnings on plan investments	-	2,335,316	-	272,440
Changes in proportion and differences between School District contributions and proportionate share of contributions	256,369	373,926	242,433	360,937
State of Michigan Section 147c UAAL rate stabilization state aid payments subsequent to the measurement date	-	2,400,195	-	-
School District contributions subsequent to the measurement date	5,617,099	-	1,372,728	-
Total	\$20,467,819	\$ 5,413,292	\$ 5,009,679	\$ 6,381,696

The School District contributions subsequent to the measurement date reported as deferred outflows of resources related to pensions and OPEB, in the chart above, will be recognized as a reduction of the net pension liability and the net OPEB liability, respectively, in the year ended June 30, 2021. The State of Michigan Section 147c UAAL rate stabilization state aid payments subsequent to the measurement date reported as deferred inflows of resources will be recognized as revenue in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be recognized in expense as follows:

<u>Year ending June 30,</u>	<u>Pension</u>	<u>OPEB</u>
2021	\$ 4,636,526	\$ (738,785)
2022	3,772,894	(738,785)
2023	2,462,682	(602,798)
2024	965,521	(418,105)
2025	-	(246,272)
	\$ 11,837,623	\$ (2,744,745)

Reeths-Puffer Schools
NOTES TO FINANCIAL STATEMENTS
 June 30, 2020

NOTE J—PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB)—Continued

Michigan Public School Employees' Retirement System Plans—Continued

Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources—Continued

Actuarial assumptions

Valuation Assumptions

Investment rate of return –	6.8% a year for the MIP and Basic plans 6.8% a year for the Pension Plus plan 6% a year for the Pension Plus 2 plan 6.95% a year for OPEB
Salary increases –	2.75%-11.55%
Inflation –	2.75%
Cost-of-living pension adjustments –	3% annual non-compounded for MIP members
Healthcare cost trend rate –	7.5% Year 1 graded to 3.5% Year 12

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 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.

Mortality Assumptions

The healthy life post-retirement mortality tables used in this valuation of the System were the RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82 percent for males and 78 percent for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Experience Study

The annual actuarial valuation report of the System used for these statements is dated September 30, 2018. Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension and OPEB valuations beginning with the September 30, 2017 valuation.

Long-Term Expected Rate of Return on Investments

The long-term expected rate of return on 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 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.

Reeths-Puffer Schools
NOTES TO FINANCIAL STATEMENTS
 June 30, 2020

NOTE J—PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB)—Continued

Michigan Public School Employees' Retirement System Plans—Continued

Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources—Continued

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

<u>Investment Category</u>	<u>Target Allocations</u>	<u>Long-term Expected Real Rate of Return*</u>
Domestic Equity Pools	28.0 %	5.5 %
Private Equity Pools	18.0	8.6
International Equity Pools	16.0	7.3
Fixed Income Pools	10.5	1.2
Real Estate and Infrastructure Pools	10.0	4.2
Absolute Return Pools	15.5	5.4
Short Term Investment Pools	2.0	0.8
Total	<u>100.0 %</u>	

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

Rate of return

For the fiscal year ended September 30, 2019, the annual money-weighted rate of return on plan investments, net of plan investment expense, was 5.14 percent and 5.37 percent on pension plan and OPEB plan investments, respectively.

Discount rate

In the current year, the discount rates used to measure the total pension and OPEB liabilities were 6.8 percent (6.8 percent for the Pension Plus plan and 6 percent for the Pension Plus 2 plan), and 6.95 percent, respectively. The discount rates used to measure the total pension and OPEB liability as of June 30, 2019 were 7.05 percent (7 percent for the Pension Plus plan and 6 percent for the Pension Plus 2 plan), and 7.15 percent, respectively. The projection of cash flows used to determine the 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 those assumptions, the pension and OPEB plans' 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 and OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension and OPEB liabilities.

Sensitivity of the net pension liability to changes in the discount rate

The following presents the School District's proportionate share of the net pension liability calculated using the discount rate of 6.8 percent (6.8 percent for the Pension Plus plan and 6 percent for the Pension Plus 2 plan), as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher:

<u>1% Lower</u> <u>(5.8% / 5.8% / 5%)</u>	<u>Discount Rate</u> <u>(6.8% / 6.8% / 6%)</u>	<u>1% Higher</u> <u>(7.8% / 7.8% / 7%)</u>
\$ 94,733,895	\$ 72,868,641	\$ 54,741,592

Reeths-Puffer Schools
NOTES TO FINANCIAL STATEMENTS
 June 30, 2020

NOTE J—PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB)—Continued

Michigan Public School Employees’ Retirement System Plans—Continued

Sensitivity of the net OPEB liability to changes in the discount rate

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

1% Lower (5.95%)	Discount Rate (6.95%)	1% Higher (7.95%)
\$ 19,216,773	\$ 15,666,057	\$ 12,684,442

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rate

The following presents the School District’s proportionate share of the net OPEB liability calculated using assumed trend rates, as well as what the School District’s proportionate share of the 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% Lower	Current Healthcare Cost Trend Rate	1% Higher
\$ 12,558,035	\$ 15,666,057	\$ 19,216,352

Pension and OPEB Plans Fiduciary Net Position

Detailed information about the pension and OPEB plans’ fiduciary net position is available in the separately issued Michigan Public School Employees Retirement System Comprehensive Annual Financial Report available at www.michigan.gov/orsschools.

Payable to the pension and OPEB plan

At year end the School District is current on all required pension and OPEB payments. Accruals for July and August deferred payroll and for July and August Section 147c amounts are not considered payables for this purpose.

Reeths-Puffer Schools Retiree Medical Benefits Plan

Plan Description

The School District administers a single-employer defined benefit post-employment health and life insurance plan, the Reeths-Puffer Schools Retiree Medical Benefits Plan (Plan). The Director of Finance is responsible for administration of the Plan in accordance with the employment contracts. This plan does not issue a publicly-available stand-alone financial report and there are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75. Information is available upon request of the School District.

Reeths-Puffer Schools
NOTES TO FINANCIAL STATEMENTS
 June 30, 2020

NOTE J—PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB)—Continued

Reeths-Puffer Schools Retiree Medical Benefits Plan—Continued

Plan Membership

As of June 30, 2020, employees covered by benefit terms of the Plan were as follows:

Inactive plan members receiving benefits and spouses	64
Active plan members	261
	325

Benefits Provided

Pursuant to employment contracts, the Plan provides that certain employees electing retirement are eligible to receive post-retirement health and life insurance benefits. Benefit provisions are established and amended by the union contracts through negotiations between the School District and the respective unions or as established by the School District for non-union employees. Benefits terminate the month the person attains eligibility for full social security benefits, or dies, whichever occurs first; however, no more than ten (10) years of payments will be made. The Plan provides the following benefits based on employee group upon retirement:

Teachers and Administrators—

Date of Hire	Benefits
Before September 1, 2004 with at least 20 years of service	Health insurance costs not covered by State retirement program for retiree and spouse, up to 20% of the cost of the State plan, for maximum of ten years. Term life insurance premium for a maximum of ten years.
After September 1, 2004 with 10-20 years of service	Health insurance costs not covered by State retirement program for retiree and spouse, up to 20% of the cost of the State plan, for maximum of five years. Term life insurance premium for a maximum of five years.
After September 1, 2004 with at least 20 years of service	Term life insurance premium for a maximum of five years.

Secretaries—

Health insurance costs not covered by State retirement program for the individual only, with a cap of \$125 per month for a maximum of three years.

Reeths-Puffer Schools
NOTES TO FINANCIAL STATEMENTS
 June 30, 2020

NOTE J—PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB)—Continued

Reeths-Puffer Schools Retiree Medical Benefits Plan—Continued

Contributions

The Plan’s funding policy is that the School District will fund the Plan on a pay-as-you-go basis. That is, benefit payments will be made from general operating assets. There are no long term contracts for contributions to the Plan. The Plan has no legally required reserves. For the fiscal year ended June 30, 2020, the School District paid approximately \$154,500.

Total OPEB Liability

The School District’s total OPEB liability of \$4,517,085 was measured as of June 30, 2020, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

Valuation Assumptions

The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	Implicit in expected payroll increases
Salary increases	3%
20-year Aa Municipal bond rate	2.66%

Discount Rate

The discount rate used to measure the total OPEB liability was 2.66% based on the long-term expected rate above reflecting a 20-year AA/Aa tax-exempt municipal bond yield.

Mortality

Mortality rates were based on the Public Teacher 2010 Employee and Healthy Retiree, headcount weighted, MP-2018 improvement scale, and the Public General 2010 Employee and Healthy Retiree, headcount weighted, MP-2018 improvement scale.

Experience Study

The annual actuarial valuation report of the Plan used for these statements is dated June 30, 2020. Assumption changes as a result of an experience study for turnover rates based on 2008 data and an experience study for retirement rates for the period 2008 through 2012 have been adopted by the Plan.

Changes in the Total OPEB Liability

Balance at June 30, 2019	\$ 2,818,886
Service cost	119,013
Interest	79,810
Difference between expected and actual experience	1,485,993
Change of assumptions	167,995
Contributions/benefit paid	<u>(154,612)</u>
Net change	<u>1,698,199</u>
Balance at June 30, 2020	<u>\$ 4,517,085</u>

Changes of assumptions reflect a change in the discount rate from 2.79% to 2.66%, and increases in annual medical reimbursements per member due to experience.

Reeths-Puffer Schools
NOTES TO FINANCIAL STATEMENTS
 June 30, 2020

NOTE J—PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB)—Continued

Reeths-Puffer Schools Retiree Medical Benefits Plan—Continued

Sensitivity of the net OPEB liability to changes in the discount rate

The following table presents the total OPEB liability of the School District, as well as what the School District’s total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.66 percent) or 1-percentage-point higher (3.66 percent) than the current discount rate:

	1% Lower (1.66%)	Discount Rate (2.66%)	1% Higher (3.66%)
Total OPEB liability	\$ 4,818,534	\$ 4,517,085	\$ 4,229,281

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates

The following table presents the total OPEB liability of the School District, as well as what the School District’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (7.25 percent decreasing to 3.5 percent) or 1-percentage-point higher (9.25 percent decreasing to 5.5 percent) than the current healthcare cost trend rates:

	1% Lower	Current Healthcare Cost Trend Rate	1% Higher
Total OPEB liability	\$ 4,147,422	\$ 4,517,085	\$ 4,934,050

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

For the year ended June 30, 2020, the School District recognized OPEB expense of \$376,835. At June 30, 2020, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,354,711	\$ 62,397
Changes of assumptions	243,807	-
Total	\$ 1,598,518	\$ 62,397

Reeths-Puffer Schools
NOTES TO FINANCIAL STATEMENTS
 June 30, 2020

NOTE J—PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB)—Continued

Reeths-Puffer Schools Retiree Medical Benefits Plan—Continued

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

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending June 30,	Amount Recognized
2021	\$ 178,012
2022	178,012
2023	178,012
2024	178,012
2025	178,012
Thereafter	646,061
	\$ 1,536,121

NOTE K—COMMITMENTS AND CONTINGENCIES

Grant Programs

The School District participates in grant programs, which are subject to program compliance audits by the grantor or its representatives. Such audits of these programs may be performed at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the School District expects such amounts, if any, to be immaterial.

Capitalized Leases

Included in furniture and equipment are the following assets held under capital leases as of June 30, 2020:

Furniture and equipment	\$ 292,163
Less accumulated amortization	(185,037)
	\$ 107,126

Reeths-Puffer Schools
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE K—COMMITMENTS AND CONTINGENCIES—Continued

Future minimum lease payments for assets under capital leases for 2019 through 2021 are as follows:

Year ending June 30,	Amount
2021	\$ 66,360
Less amount representing interest	<u>(1,791)</u>
Present value of net minimum lease payments	64,569
Less current maturities	<u>(64,569)</u>
Long-term obligation	<u><u>\$ -</u></u>

NOTE L—OTHER INFORMATION

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omissions; injuries to employees; and natural disasters. The School District participates in two distinct pools of educational institutions within the State of Michigan for self-insuring property and casualty and workers' disability compensation. The pools are considered public entity risk pools. The School District pays annual premiums under a retrospectively rated policy to the pools for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The workers' compensation pool and the property casualty pool maintain reinsurance for claims generally in excess of \$500,000 for each occurrence with the overall maximum coverage varying depending on the specific type coverage of reinsurance.

The School District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance. No settlements have occurred in excess of coverage for June 30, 2020 or any of the prior three years.

Reeths-Puffer Schools
NOTES TO FINANCIAL STATEMENTS
 June 30, 2020

NOTE M—TAX ABATEMENTS

The School District receives reduced property tax revenues as a result of Industrial Facilities Tax (IFT) exemptions, Brownfield Redevelopment Agreements (BRA), and Payments in Lieu of Taxes (PILOT) granted by cities, villages and townships. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities; Brownfield Redevelopment Agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties; PILOT programs apply to multiple unit housing for citizens of low income and the elderly. The property taxes abated for all fund types by municipality under these programs are as follows:

<u>Municipality</u>	<u>Abatement type</u>	<u>Taxes abated</u>
Muskegon Township	IFT	<u>\$ 73,889</u>

The tax abatements that reduce the general fund operating tax levy are considered by the State of Michigan when calculating the School District’s state aid—section 22 of the State School Aid Act.

There are no significant abatements made by the School District.

NOTE N—SUBSEQUENT EVENTS

State Aid Anticipation Note

In August 2020, the School District received the proceeds of a \$5,000,000 State of Michigan (State) school aid anticipation note payable. The note payable is not subject to redemption prior to its maturity in August 2021 and bears interest at the rate of 0.84 percent per annum. The School District pledged for payment of the note payable the amount of State school aid to be received plus the full faith, credit, and resources of the School District.

COVID-19

The COVID-19 pandemic that the world is experiencing is unprecedented. It is nearly impossible to fully understand the impact that it will have on the economy and on the School District’s operations. As of October 14, 2020, the School District is in the process of implementing risk mitigation tactics including all aspects of the School District’s activities related to public school education, relationships with local, state, and federal government funding sources, compliance with the requirements of these funding sources and with business transactions with customers, vendors and human interaction within and outside of the School District.

State Aid

On July 31, 2020 the Governor signed Public Act 146 of 2020 which retroactively reduced the per pupil foundation allowance by \$175 per pupil for the 2019-2020 fiscal year. This reduced the School District’s 2019-2020 state aid revenue by \$629,498 and was deducted from the August 20, 2020 state aid payment.

Reeths-Puffer Schools
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE O—UPCOMING ACCOUNTING PRONOUNCEMENTS

GASB Statement 84—*Fiduciary Activities* was issued by the GASB in January 2017 and will be effective for the School District's 2021 fiscal year. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities for all state and local governments. The focus on the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements.

GASB Statement 87—*Leases* was issued by the GASB in June 2017 and will be effective for the School District's 2022 fiscal year. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

REQUIRED SUPPLEMENTARY INFORMATION

Reeths-Puffer Schools
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
 General Fund
 For the year ended June 30, 2020

	<u>Budgeted amounts</u>		<u>Actual</u>	<u>Variance with final budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Local revenue				
Local sources	\$ 3,111,740	\$ 2,803,813	\$ 2,899,209	\$ 95,396
Received from other districts	1,749,000	2,149,979	2,234,180	84,201
State sources	32,621,920	31,920,851	31,451,727	(469,124)
Federal sources	2,095,855	2,060,938	2,055,545	(5,393)
Incoming transfers and other transactions	95,000	30,800	99,429	68,629
Total revenues	<u>39,673,515</u>	<u>38,966,381</u>	<u>38,740,090</u>	<u>(226,291)</u>
EXPENDITURES				
Instruction				
Basic programs	19,178,699	19,013,790	18,656,586	357,204
Added needs	5,452,471	5,382,403	5,539,973	(157,570)
Support services				
Pupil	3,287,081	3,367,509	3,346,994	20,515
Instructional staff	1,616,916	1,553,278	1,524,713	28,565
General administration	872,121	719,632	709,539	10,093
School administration	2,433,119	2,418,335	2,362,070	56,265
Business services	564,213	601,957	588,916	13,041
Operations and maintenance	2,824,273	2,782,314	2,755,486	26,828
Pupil transportation services	1,798,294	1,551,197	1,539,408	11,789
Central	561,023	578,392	559,836	18,556
Athletics	951,612	958,195	962,153	(3,958)
Community services	49,995	40,884	40,886	(2)
Outgoing transfers and other transactions	139,186	138,624	139,545	(921)
Total expenditures	<u>39,729,003</u>	<u>39,106,510</u>	<u>38,726,105</u>	<u>380,405</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (55,488)</u>	<u>\$ (140,129)</u>	13,985	<u>\$ 154,114</u>
Fund balance at beginning of year			<u>3,553,095</u>	
Fund balance at end of year			<u>\$ 3,567,080</u>	

Note: Both budgets and actual figures are prepared in accordance with generally accepted accounting principles.

Reeths-Puffer Schools
REQUIRED SUPPLEMENTARY INFORMATION
Schedule of the School District's Proportionate Share of the Net Pension Liability
Michigan Public School Employees Retirement System
Last 10 Fiscal Years (Amounts were determined as of 9/30 of each fiscal year)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
School District's proportion of the net pension liability (%)	0.22004%	0.22045%	0.21856%	0.22045%	0.22250%	0.21646%	-	-	-	-
School District's proportionate share of the net pension liability	\$ 72,868,641	\$ 66,272,669	\$ 56,638,001	\$ 55,001,235	\$ 54,344,541	\$ 47,678,648	\$ -	\$ -	\$ -	\$ -
School District's covered payroll	\$ 18,970,229	\$ 18,979,672	\$ 18,388,819	\$ 18,523,419	\$ 18,523,730	\$ 18,395,418	\$ -	\$ -	\$ -	\$ -
School District's proportionate share of the net pension liability as a percentage of its covered payroll	384.12%	349.18%	308.00%	296.93%	293.38%	259.19%	-	-	-	-
Plan fiduciary net position as a percentage of the total pension liability	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%	-	-	-	-

Note: For years prior to 2015 the information is not available. Until a full 10-year trend is compiled, information will only be presented for those years for which information is available.

Reeths-Puffer Schools
REQUIRED SUPPLEMENTARY INFORMATION
Schedule of the School District's Pension Contributions
Michigan Public School Employees Retirement System
Last 10 Fiscal Years (Amounts were determined as of 6/30 of each year)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Statutorily required contributions	\$ 3,538,977	\$ 3,316,188	\$ 3,375,240	\$ 3,423,894	\$ 4,017,159	\$ 3,361,758	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the statutorily required contributions	3,538,977	3,316,188	3,375,240	3,423,894	4,017,159	3,361,758	-	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's covered payroll	\$19,018,945	\$18,850,973	\$19,141,779	\$ 18,229,286	\$18,516,390	\$18,535,877	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered payroll	18.61%	17.59%	17.63%	18.78%	21.70%	18.14%	-	-	-	-

Note: For years prior to 2015 the information is not available. Until a full 10-year trend is compiled, information will only be presented for those years for which information is available.

Reeths-Puffer Schools
REQUIRED SUPPLEMENTARY INFORMATION
Schedule of the School District's Proportionate Share of the Net OPEB Liability
Michigan Public School Employees Retirement System
Last 10 Fiscal Years (Amounts were determined as of 9/30 of each year)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
School District's proportion of the net OPEB liability (%)	0.21826%	0.22291%	0.21880%	-	-	-	-	-	-	-
School District's proportionate share of the net OPEB liability	\$ 15,666,057	\$ 17,718,790	\$ 19,375,449	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School District's covered payroll	\$ 18,970,229	\$ 18,979,672	\$ 18,388,819	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School District's proportionate share of the net OPEB liability as a percentage of its covered payroll	82.58%	93.36%	105.37%	-	-	-	-	-	-	-
Plan fiduciary net position as a percentage of the total OPEB liability	48.46%	42.95%	36.39%	-	-	-	-	-	-	-

Note: For years prior to 2018 the information is not available. Until a full 10-year trend is compiled, information will only be presented for those years for which information is available.

Reeths-Puffer Schools
REQUIRED SUPPLEMENTARY INFORMATION
Schedule of the School District's OPEB Contributions
Michigan Public School Employees Retirement System
Last 10 Fiscal Years (Amounts were determined as of 6/30 of each year)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Statutorily required contributions	\$ 1,519,872	\$ 1,508,752	\$ 1,428,103	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the statutorily required contributions	1,519,872	1,508,752	1,428,103	-	-	-	-	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School District's covered payroll	\$19,018,945	\$18,850,973	\$19,141,779	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered payroll	7.99%	8.00%	7.46%	-	-	-	-	-	-	-

Note: For years prior to 2018 the information is not available. Until a full 10-year trend is compiled, information will only be presented for those years for which information is available.

Reeths-Puffer Schools
REQUIRED SUPPLEMENTARY INFORMATION
Schedule of the School District's Total OPEB Liability
Reeths-Puffer Schools Retiree Medical Benefits Plan
Last 10 Fiscal Years (Amounts were determined as of 6/30 of each year)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Service cost	\$ 119,013	\$ 103,747	\$ 100,725	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	79,810	83,565	82,448	-	-	-	-	-	-	-
Changes of benefit terms	-	-	(19,956)	-	-	-	-	-	-	-
Differences between expected and actual experience	1,485,993	28,105	(92,640)	-	-	-	-	-	-	-
Changes of assumptions or other inputs	167,995	4,922	132,658	-	-	-	-	-	-	-
Contributions/ benefits paid	(154,612)	(166,455)	(171,488)	-	-	-	-	-	-	-
Net change in total OPEB liability	1,698,199	53,884	31,747	-	-	-	-	-	-	-
Total OPEB liability - beginning	2,818,886	2,765,002	2,733,255	-	-	-	-	-	-	-
Total OPEB liability - ending	\$4,517,085	\$2,818,886	\$2,765,002	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School District's covered payroll	\$ 19,018,945	\$ 18,850,973	\$ 19,141,779	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total OPEB liability as a percentage of covered-employee payroll	23.75%	14.95%	14.44%	-	-	-	-	-	-	-

Note: For years prior to 2018 the information is not available. Until a full 10-year trend is compiled, information will only be presented for those years for which information is available.

Reeths-Puffer Schools
REQUIRED SUPPLEMENTARY INFORMATION
Notes to Required Supplementary Information
For the year ended June 30, 2020

Pension Information

Benefit changes - there were no changes of benefit terms in 2019.

Changes of assumptions – the assumption changes for 2019 were:

Discount rate for MIP and Basic plans decreased to 6.8% from 7.05%.

Discount rate for Pension Plus decreased to 6.8% from 7%.

OPEB Information

Benefit changes - there were no changes of benefit terms in 2019.

Changes of assumptions – the assumption changes for 2019 were:

Discount rate decreased to 6.95% from 7.15%.

Healthcare cost trend rate increased to 7.5% Year 1 graded to 3.5% Year 12 from 7.5% Year 1 graded to 3% Year 12.

Plan Assets – Reeths-Puffer Schools Retiree Medical Benefits Plan: No assets are accumulated in a trust that meets the criteria in GASB Statement 75, paragraph 4, to pay related benefits.

OTHER SUPPLEMENTAL INFORMATION

Reeths-Puffer Schools
OTHER SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
Food Service
For the year ended June 30, 2020

	<u>Budgeted amounts</u>		<u>Actual</u>	<u>Variance with final budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Local sources	\$ 375,105	\$ 303,896	\$ 345,156	\$ 41,260
State sources	54,060	55,945	55,945	-
Federal sources	943,500	1,159,685	1,105,954	(53,731)
Total revenues	1,372,665	1,519,526	1,507,055	(12,471)
EXPENDITURES				
Support services				
General administration	4,100	-	-	-
Operations	7,700	7,700	4,725	2,975
Transportation	6,000	3,605	1,714	1,891
Food service	1,355,195	1,615,024	1,605,572	9,452
Outgoing transfers and other transactions	89,000	60,000	60,000	-
Total expenditures	1,461,995	1,686,329	1,672,011	14,318
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (89,330)</u>	<u>\$ (166,803)</u>	(164,956)	<u>\$ 1,847</u>
Fund balance at beginning of year			169,529	
Fund balance at end of year			<u>\$ 4,573</u>	

Reeths-Puffer Schools
OTHER SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
 Technology
 For the year ended June 30, 2020

	<u>Budgeted amounts</u>		<u>Actual</u>	<u>Variance with final budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Local sources				
Received from other districts	\$ 687,000	\$ 650,000	\$ 683,490	\$ 33,490
Other	157,000	151,906	151,905	(1)
Total revenues	844,000	801,906	835,395	33,489
EXPENDITURES				
Support services				
Pupil	59,692	60,520	57,586	2,934
Instructional staff	185,398	190,250	183,425	6,825
Operations and security	88,550	48,166	48,166	-
Central	410,450	407,614	407,350	264
Debt service	98,900	101,200	98,857	2,343
Total expenditures	842,990	807,750	795,384	12,366
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 1,010</u>	<u>\$ (5,844)</u>	40,011	<u>\$ 45,855</u>
Fund balance at beginning of year			<u>55,624</u>	
Fund balance at end of year			<u>\$ 95,635</u>	

Reeths-Puffer Schools
COMBINING BALANCE SHEET
 Other Governmental Funds
 June 30, 2020

	Total other governmental funds	Special Revenue		Debt Service	Building & Site
		Food Service	Technology		
ASSETS					
Cash and cash equivalents	\$ 670,719	\$ 275,227	\$ -	\$ 75,730	\$ 319,762
Due from other governmental units	36,409	4,232	32,177	-	-
Due from other funds	345,142	-	40,008	234,278	70,856
Inventories	22,895	22,895	-	-	-
Prepaid items	28,535	5,085	23,450	-	-
Total assets	\$ 1,103,700	\$ 307,439	\$ 95,635	\$ 310,008	\$ 390,618
LIABILITIES					
Accounts payable	\$ 31,528	\$ 31,528	\$ -	\$ -	\$ -
Due to other funds	249,429	247,779	-	1,650	-
Unearned revenue	23,559	23,559	-	-	-
Total liabilities	304,516	302,866	-	1,650	-
FUND BALANCES					
Nonspendable					
Inventories	22,895	22,895	-	-	-
Prepaid items	28,535	5,085	23,450	-	-
Restricted					
Debt service	308,358	-	-	308,358	-
Technology	72,185	-	72,185	-	-
Committed for capital projects	390,618	-	-	-	390,618
Unassigned	(23,407)	(23,407)	-	-	-
Total fund balances	799,184	4,573	95,635	308,358	390,618
Total liabilities and fund balances	\$ 1,103,700	\$ 307,439	\$ 95,635	\$ 310,008	\$ 390,618

Reeths-Puffer Schools
**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES**
Other Governmental Funds
For the year ended June 30, 2020

	Total other governmental funds	Special Revenue		Debt Service	Building & Site
		Food Service	Technology		
REVENUES					
Local sources					
Property taxes	\$ 5,610,550	\$ -	\$ -	\$ 5,610,550	\$ -
Received from other districts	683,490	-	683,490	-	-
Investment earnings	8,906	1,232	-	6,088	1,586
Fees and charges	301,037	301,037	-	-	-
Other	179,318	42,887	-	-	136,431
Total local sources	6,783,301	345,156	683,490	5,616,638	138,017
State sources	180,275	55,945	-	124,330	-
Federal sources	1,105,954	1,105,954	-	-	-
Total revenues	8,069,530	1,507,055	683,490	5,740,968	138,017
EXPENDITURES					
Current					
Food services	1,612,011	1,612,011	-	-	-
Technology	696,527	-	696,527	-	-
Debt service					
Principal	8,969,241	-	90,757	8,878,484	-
Interest and other charges	3,823,639	-	8,100	3,815,539	-
Capital projects	152,025	-	-	-	152,025
Total expenditures	15,253,443	1,612,011	795,384	12,694,023	152,025
Excess (deficiency) of revenues over (under) expenditures	(7,183,913)	(104,956)	(111,894)	(6,953,055)	(14,008)
OTHER FINANCING SOURCES (USES)					
Other transactions	151,905	-	151,905	-	-
Transfers in	73,186	-	-	-	73,186
Transfers out	(60,000)	(60,000)	-	-	-
Loan proceeds	6,984,423	-	-	6,984,423	-
Total other financing sources (uses)	7,149,514	(60,000)	151,905	6,984,423	73,186
Net change in fund balances	(34,399)	(164,956)	40,011	31,368	59,178
Fund balances at beginning of year	833,583	169,529	55,624	276,990	331,440
Fund balances at end of year	\$ 799,184	\$ 4,573	\$ 95,635	\$ 308,358	\$ 390,618

Reeths-Puffer Schools
COMBINING BALANCE SHEET
Debt Service Funds – Other Governmental Funds
June 30, 2020

	Total Debt Service Funds	1992 Debt	2010-A Qualified School Construction Bonds Debt	2015-A Refunding	2015-B Refunding	2016 Refunding	2017 Refunding
ASSETS							
Cash and cash equivalents	\$ 75,730	\$ 6,415	\$ 3,358	\$ 1,097	\$ 12,253	\$ 49,460	\$ 3,147
Due from other funds	234,278	56,227	29,452	9,371	107,098	5,355	26,775
Total assets	\$ 310,008	\$ 62,642	\$ 32,810	\$ 10,468	\$ 119,351	\$ 54,815	\$ 29,922
LIABILITIES							
Due to other funds	\$ 1,650	\$ 400	\$ 750	\$ -	\$ -	\$ 500	\$ -
FUND BALANCES							
	308,358	62,242	32,060	10,468	119,351	54,315	29,922
Total liabilities and fund balances	\$ 310,008	\$ 62,642	\$ 32,810	\$ 10,468	\$ 119,351	\$ 54,815	\$ 29,922

Reeths-Puffer Schools
**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES**
Debt Service Funds – Other Governmental Funds
For the year ended June 30, 2020

	Total Debt Service Funds	1992 Debt	2010-A Qualified School Construction Bonds Debt	2015-A Refunding	2015-B Refunding	2016 Refunding	2017 Refunding
REVENUES							
Local sources							
Property taxes	\$ 5,610,550	\$ 1,346,534	\$ 705,327	\$ 224,421	\$ 2,564,822	\$ 128,240	\$ 641,206
Investment earnings	6,088	1,508	669	267	2,554	158	932
Total local sources	5,616,638	1,348,042	705,996	224,688	2,567,376	128,398	642,138
State sources	124,330	29,839	15,630	4,973	56,837	2,842	14,209
Total revenues	5,740,968	1,377,881	721,626	229,661	2,624,213	131,240	656,347
EXPENDITURES							
Principal	8,878,484	428,484	1,155,000	150,000	5,690,000	-	1,455,000
Interest and other charges	3,815,539	2,371,916	193,548	195,500	278,475	153,350	622,750
Total expenditures	12,694,023	2,800,400	1,348,548	345,500	5,968,475	153,350	2,077,750
Excess (deficiency) of revenues over (under) expenditures	(6,953,055)	(1,422,519)	(626,922)	(115,839)	(3,344,262)	(22,110)	(1,421,403)
OTHER FINANCING SOURCES							
Loan proceeds	6,984,423	1,421,900	655,132	96,490	3,413,336	70,500	1,327,065
Total other financing sources	6,984,423	1,421,900	655,132	96,490	3,413,336	70,500	1,327,065
Net change in fund balances	31,368	(619)	28,210	(19,349)	69,074	48,390	(94,338)
Fund balances at beginning of year	276,990	62,861	3,850	29,817	50,277	5,925	124,260
Fund balances at end of year	\$ 308,358	\$ 62,242	\$ 32,060	\$ 10,468	\$ 119,351	\$ 54,315	\$ 29,922

Reeths-Puffer Schools
STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 Fiduciary Funds
 For the year ended June 30, 2020

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020
Assets				
Cash and cash equivalents	\$ 480,990	\$ 618,020	\$ 612,788	\$ 486,222
Receivables	-	108,680	108,680	-
Total assets	\$ 480,990	\$ 726,700	\$ 721,468	\$ 486,222
Liabilities				
Accounts payable	\$ 89,755	\$ 650,037	\$ 623,358	\$ 116,434
Deposits held for others	391,235	632,156	653,603	369,788
Total liabilities	\$ 480,990	\$ 1,282,193	\$ 1,276,961	\$ 486,222

Reeths-Puffer Schools
CONTENTS OF THE STATISTICAL SECTION (UNAUDITED)

This part of the Reeths-Puffer Schools' comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the District's overall financial health. Many of the schedules present data for the past fiscal years that will allow the reader to discern trends that cannot be seen in a single year's financial statement. The following information has not been audited.

<u>Contents</u>	<u>Pages</u>
<i>Financial Trends</i>	85-88
These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.	
<i>Revenue Capacity</i>	89-92
These schedules contain information to help the reader assess locally levied taxes.	
<i>Debt Capacity</i>	93-97
These schedules present information to help the reader assess the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.	
<i>Demographic and Economic Information</i>	98-99
These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.	
<i>Operating Information</i>	100-105
These schedules contain data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.	

Sources: Reeths-Puffer Schools completed a Comprehensive Annual Financial Report (CAFR) for the first time following the fiscal year ended June 30, 2014. Certain information presented in these schedules is derived from previous CAFR's, previous years' audit reports, and the corresponding statistical sections. Sources of data pulled from local, state, and federal sources have been noted by schedule.

Reeths-Puffer Schools
NET POSITION BY COMPONENT
 Last Ten Fiscal Years
 (Accrual Basis of Accounting)

<u>Year Ended June 30,</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Net Position by Component										
Governmental Activities										
Net investment in capital assets	\$ 9,544,123	\$ 6,021,646	\$ 3,223,706	\$ 594,530	\$ (2,772,535)	\$ (5,142,029)	\$ (7,334,766)	\$ (9,052,648)	\$ (9,899,733)	\$ (10,812,829)
Restricted for:										
Food service	-	-	-	-	-	-	325,991	355,166	-	-
Debt services	-	6,051	-	405,608	108,879	-	-	-	-	-
Technology	95,635	55,624	-	-	-	-	-	-	-	-
Unrestricted	(109,108,382)	(102,723,981)	(98,722,925)	(76,239,567)	(75,087,193)	(71,992,460)	(22,771,445)	(19,523,254)	(15,676,941)	(11,641,407)
Total Governmental Net Position	\$ (99,468,624)	\$ (96,640,660)	\$ (95,499,219)	\$ (75,239,429)	\$ (77,750,849)	\$ (77,134,489)	\$ (29,780,220)	\$ (28,220,736)	\$ (25,576,674)	\$ (22,454,236)

Source: District audited financial statements.

The District does not have a restricted food service fund balance at June 30, 2020 as the fund balance deficit is classified as unassigned.

Reeths-Puffer Schools
CHANGES IN NET POSITION
 Last Ten Fiscal Years
 (Accrual Basis of Accounting)

<u>Year Ended June 30,</u>	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Expenses										
Governmental Activities										
Instruction	\$ 28,814,805	\$ 27,294,327	\$ 26,437,642	\$ 24,639,207	\$ 24,847,153	\$ 24,119,501	\$ 24,181,513	\$ 22,968,670	\$ 23,032,735	\$ 22,873,918
Support Services	15,509,493	15,289,627	14,762,592	13,815,211	13,688,040	13,085,912	12,320,667	12,150,567	13,517,984	13,206,390
Community Services	41,444	37,744	35,311	42,200	39,190	35,886	34,757	156,811	373,689	387,533
Food Services	1,706,754	1,297,941	1,282,961	1,269,012	1,330,804	1,344,246	1,341,406	1,357,069	1,335,695	1,242,266
Athletics	1,152,252	983,681	898,313	896,777	870,495	828,341	816,805	665,547	698,173	651,156
Interest on long-term debt	2,519,391	2,462,172	2,824,320	2,390,222	3,360,850	3,777,208	3,863,485	4,014,075	4,106,619	4,188,920
Unallocated depreciation and amortization	39,715	40,887	40,887	40,887	40,887	40,887	40,887	120,878	109,468	74,866
Total Expenses	49,783,854	47,406,379	46,282,026	43,093,516	44,177,419	43,231,981	42,599,520	41,433,617	43,174,363	42,625,049
Program Revenues										
Governmental Activities										
Charge for services:										
Support services	26,377	17,517	32,832	15,063	35,021	67,851	73,878	76,986	71,153	62,121
Community services	-	-	-	11,013	-	-	-	133,617	150,531	162,341
Food services	301,037	349,850	373,074	388,485	401,362	418,619	384,717	383,486	411,163	457,911
Athletics	115,529	140,691	139,700	150,897	137,955	147,264	132,883	126,433	123,226	132,492
Operating grants and contributions	12,074,426	11,461,581	11,888,903	10,570,351	9,401,533	10,379,218	8,617,345	8,171,746	8,000,200	9,180,738
Total Program Revenues	12,517,369	11,969,639	12,434,509	11,135,809	9,975,871	11,012,952	9,208,823	8,892,268	8,756,273	9,995,603
Net Expenses	(37,266,485)	(35,436,740)	(33,847,517)	(31,957,707)	(34,201,548)	(32,219,029)	(33,390,697)	(32,541,349)	(34,418,090)	(32,629,446)
General Revenues										
Governmental Activities										
Property Taxes	8,401,656	8,603,531	8,614,100	9,005,078	9,233,408	8,246,936	7,940,154	8,093,732	8,364,053	9,280,309
Grants and contributions not restricted to specific programs	25,634,216	25,473,724	25,668,248	25,318,240	24,199,630	24,187,326	23,759,009	22,513,544	22,677,225	23,041,136
Unrestricted investment earnings	57,490	93,730	55,615	31,678	19,703	10,398	10,970	23,548	31,448	61,944
Gain on sale of assets	5,821	5,404	7,440	-	12,210	4,649	-	7,088	-	-
Special item - refund of prior year taxes	-	-	-	-	-	-	-	-	-	(125,273)
Miscellaneous	339,338	118,910	137,003	114,131	120,237	99,407	121,080	160,584	222,926	117,847
Total General Revenues	34,438,521	34,295,299	34,482,406	34,469,127	33,585,188	32,548,716	31,831,213	30,798,496	31,295,652	32,375,963
Change in Net Position	(2,827,964)	(1,141,441)	634,889	2,511,420	(616,360)	329,687	(1,559,484)	(1,742,853)	(3,122,438)	(253,485)
Net Position, Beginning	(96,640,660)	(95,499,219)	(96,134,108)	(77,750,849)	(77,134,489)	(77,464,176)	(28,220,736)	(26,477,883)	(22,454,235)	(22,200,750)
Net Position, Ending	\$(99,468,624)	\$(96,640,660)	\$(95,499,219)	\$(75,239,429)	\$(77,750,849)	\$(77,134,489)	\$(29,780,220)	\$(28,220,736)	\$(25,576,673)	\$(22,454,235)

Source: District audited financial statements.

Note:

Beginning net position for 2012-13 has been restated to reflect financial statement changes due to GASB statement 65.

Beginning net position for 2014-15 has been restated to reflect financial statement changes due to GASB statement 68.

Beginning net position for 2017-18 has been restated to reflect financial statement changes due to GASB statement 75.

Reeths-Puffer Schools
FUND BALANCES—GOVERNMENTAL FUNDS
 Last Ten Fiscal Years
 (Modified Accrual Basis of Accounting)

<u>June 30,</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
General Fund										
Nonspendable (Reserved)	\$ 11,289	\$ 57,876	\$ 55,270	\$ 390,541	\$ 36,982	\$ 40,060	\$ 49,969	\$ 64,468	\$ 55,607	\$ 297,783
Assigned (Designated)	695,391	55,489	-	-	48,333	182,095	-	422,303	1,073,706	1,843,000
Unassigned (Unreserved, Undesignated)	2,860,400	3,439,730	3,676,607	3,285,875	2,682,654	2,678,337	2,723,661	2,600,103	2,553,152	2,841,743
Total General Fund	3,567,080	3,553,095	3,731,877	3,676,416	2,767,969	2,900,492	2,773,630	3,086,874	3,682,465	4,982,526
All Other Governmental Funds										
Nonspendable (Reserved), Reported in Special Revenue Funds	51,430	23,084	32,427	42,045	11,711	10,102	11,021	10,098	13,900	21,664
Restricted (Reserved/Unreserved), Reported in:										
Debt Service funds	308,362	276,990	243,051	733,608	477,255	285,748	260,775	151,703	-	211,090
Special Revenue funds	72,185	202,069	499,397	454,632	322,442	408,890	314,970	355,166	442,397	440,026
Committed, Reported in:										
Capital Projects funds	390,618	331,440	301,482	185,331	318,342	508,741	470,341	627,678	1,092,112	6,739,084
Unassigned (Unreserved, Undesignated)	(23,407)	-	-	-	(36,376)	(4,903)	(5,247)	-	(458,310)	-
Total All Other Governmental Funds	799,188	833,583	1,076,357	1,415,616	1,093,374	1,208,578	1,051,860	1,144,645	1,090,099	7,411,864
Total All Governmental Funds	\$ 4,366,268	\$ 4,386,678	\$ 4,808,234	\$ 5,092,032	\$ 3,861,343	\$ 4,109,070	\$ 3,825,490	\$ 4,231,519	\$ 4,772,564	\$ 12,394,390

Source: District audited financial statements.

Note: Fund balances prior to 2011-12 have been restated to comply with GASB Statement No. 54 for comparative purposes. Past labels used are listed in parentheses.

Reeths-Puffer Schools
CHANGES IN FUND BALANCES—GOVERNMENTAL FUNDS
 Last Ten Fiscal Years
 (Modified Accrual Basis of Accounting)

<u>Year Ended June 30,</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Revenues										
Local Sources										
Property taxes	\$ 8,277,326	\$ 8,480,221	\$ 8,484,003	\$ 8,899,903	\$ 9,233,408	\$ 8,246,936	\$ 7,940,154	\$ 8,093,732	\$ 8,485,214	\$ 9,280,309
Investment Earnings	57,490	93,730	55,615	31,678	19,703	10,398	10,970	23,548	31,448	61,944
Food sales and athletic admissions	442,943	508,058	545,606	565,458	574,338	633,734	591,478	720,522	756,073	814,865
Transfers from Other Districts and Other	3,138,992	2,472,031	2,533,203	2,430,652	2,567,097	2,751,877	1,979,823	1,830,045	1,927,245	1,801,097
State Sources	31,632,002	32,000,527	32,317,929	30,808,575	29,379,334	28,584,872	27,388,560	26,038,672	25,371,217	25,805,249
Federal Sources	3,161,499	2,920,218	2,902,232	3,078,259	3,252,563	3,329,202	3,118,865	2,961,018	3,204,933	5,007,955
Total Revenues	46,710,252	46,474,785	46,838,588	45,814,525	45,026,443	43,557,019	41,029,850	39,667,537	39,776,130	42,771,419
Expenditures										
Instruction										
Basic Programs	18,656,586	19,065,276	19,102,538	17,665,254	18,142,949	17,677,180	17,250,630	17,011,007	17,365,931	17,415,743
Added Needs	5,539,973	5,446,769	5,509,164	5,166,678	5,004,762	4,753,357	4,853,886	4,414,630	4,621,279	4,591,662
Adult Education	-	-	-	-	-	324,177	316,947	-	-	-
Support Services										
Pupil Support	3,346,994	3,186,495	3,192,918	3,191,760	3,193,547	2,875,734	2,712,694	2,759,550	2,856,188	2,840,294
Instructional Support	1,524,713	1,521,575	1,497,429	1,400,012	1,355,265	1,718,443	1,154,768	1,212,234	1,260,846	1,223,635
General Administration	709,539	720,668	760,323	873,046	654,263	688,875	425,923	448,258	414,827	396,192
School Administration	2,362,070	2,324,551	2,177,678	2,357,952	2,273,019	2,371,590	2,271,646	2,293,638	2,099,857	1,969,945
Business Services	588,916	631,231	619,464	577,581	530,092	495,100	476,034	430,020	482,296	547,172
Operations and Maintenance	2,755,486	2,941,905	2,767,678	2,638,828	2,665,527	2,626,945	2,617,284	2,426,036	2,385,779	2,434,584
Pupil Transportation	1,539,408	1,616,116	1,741,811	1,585,797	1,557,082	1,400,916	1,394,042	1,315,586	1,193,361	1,320,416
Central	559,836	466,206	509,562	535,493	431,305	535,797	662,963	612,155	687,594	679,529
Athletics	962,153	865,680	812,867	802,909	791,817	797,210	737,768	678,629	706,126	655,539
Community Services	40,886	39,210	35,148	42,200	39,346	35,966	34,757	156,811	373,689	387,533
Food Services	1,612,011	1,258,956	1,275,443	1,253,016	1,330,659	1,349,006	1,338,035	1,352,790	1,330,507	1,237,771
Technology	696,527	974,323	1,029,965	464,757	674,015	-	-	-	-	-
Debt service										
Principal	30,067,618	8,928,610	8,743,097	8,963,467	31,054,381	3,502,304	3,491,991	3,562,030	5,003,593	5,005,395
Interest and Other Charges	4,074,727	3,923,241	4,143,666	3,673,326	3,749,569	3,660,106	3,657,177	3,663,965	2,244,653	2,628,547
Bond Issuance Costs	175,417	-	-	100,619	229,505	-	-	-	-	-
Capital Projects	152,025	80,247	14,780	259,973	272,473	40,412	233,905	565,351	5,817,776	13,193,919
Total Expenditures	75,364,885	53,991,059	53,933,531	51,552,668	73,949,576	44,853,118	43,630,450	42,902,690	48,844,302	56,527,876
Excess (Deficiency) of Revenues over (under) Expenditures	(28,654,633)	(7,516,274)	(7,094,943)	(5,738,143)	(28,923,133)	(1,296,099)	(2,600,600)	(3,235,153)	(9,068,172)	(13,756,457)
Other Financing Sources (Uses)										
Transfers from other governmental units and other transactions	5,821	5,404	7,440	-	14,130	-	10,186	83,080	440,548	31,541
Transfers to other governmental units	-	-	-	-	-	-	-	(20,376)	(283,028)	(183,619)
Loan Proceeds	28,442,889	7,089,314	5,708,569	6,575,809	756,774	1,579,679	2,184,385	2,631,404	1,288,826	604,165
Operating Transfers from other funds	133,186	149,275	141,224	147,900	163,578	146,720	200,834	241,717	164,807	238,716
Operating Transfers to other funds	(133,186)	(149,275)	(141,224)	(147,900)	(163,578)	(146,720)	(200,834)	(241,717)	(164,807)	(238,716)
Payments to refund bond escrow agent and discounts on debt issuance or refunding	-	-	-	(17,131,465)	(11,410,703)	-	-	-	-	-
Discount on refunding bonds	-	-	-	(64,743)	-	-	-	-	-	-
Proceeds from issuance of bonds and refunding bonds, premium proceeds of refunding	-	-	1,095,136	17,589,232	39,315,205	-	-	-	-	-
Other transactions	185,513	-	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	28,634,223	7,094,718	6,811,145	6,968,833	28,675,406	1,579,679	2,194,571	2,694,108	1,446,346	452,087
Net Change in Fund Balance	\$ (20,410)	\$ (421,556)	\$ (283,798)	\$ 1,230,690	\$ (247,727)	\$ 283,580	\$ (406,029)	\$ (541,045)	\$ (7,621,826)	\$ (13,304,370)
Debt Service as a Percentage of Non-capital Expenditures	45.63%	23.84%	23.90%	24.83%	47.55%	15.98%	16.47%	17.07%	16.85%	17.62%

Reeths-Puffer Schools
TAXABLE VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
 Last Ten Fiscal Years
 (rate per \$1,000 of assessed value)

<u>Tax Year</u>	<u>Fiscal Year</u>	<u>Estimated Market Value</u>	<u>State Equalized Value</u>	<u>Non-Homestead Property</u>	<u>Homestead Property</u>	<u>Taxable Value</u>		<u>Total</u>	<u>Direct Tax Rate</u>		
						<u>Commercial Personal Property</u>	<u>Industrial Personal Property</u>		<u>Operating</u>	<u>Debt</u>	<u>Total</u>
2010	2010-2011	\$ 1,529,909,200	\$ 764,954,600	\$ 204,096,132	\$ 437,057,746	\$ 15,991,700	\$ 15,358,500	\$ 672,504,078	18.00	8.37	26.37
2011	2011-2012	1,457,631,400	728,815,700	203,719,579	426,127,332	15,017,434	15,466,200	660,330,545	18.00	8.37	26.37
2012	2012-2013	1,379,976,800	689,988,400	162,361,562	410,029,355	16,014,400	16,390,800	604,796,117	18.00	8.37	26.37
2013	2013-2014	1,276,364,300	638,182,150	158,351,000	407,609,000	15,379,100	16,296,300	597,635,400	18.00	8.37	26.37
2014	2014-2015	1,293,545,160	646,772,580	145,202,288	413,022,058	13,599,300	15,746,900	587,570,546	18.00	9.37	27.37
2015	2015-2016	1,324,135,500	662,067,750	145,592,271	421,376,401	13,901,400	16,782,700	597,652,772	18.00	10.82	28.82
2016	2016-2017	1,355,653,400	677,826,700	145,549,554	426,034,105	13,441,800	6,235,100	591,260,559	18.00	10.39	28.39
2017	2017-2018	1,426,022,542	713,011,271	141,332,048	438,735,808	13,582,500	4,035,600	597,685,956	18.00	9.75	27.75
2018	2018-2019	1,465,258,400	732,629,200	148,399,082	454,758,208	13,904,600	3,795,100	620,856,990	18.00	9.10	27.10
2019	2019-2020	1,535,851,740	767,925,870	142,111,204	480,289,756	14,129,200	4,675,570	641,205,730	18.00	8.75	26.75

Source: Muskegon County Annual Equalization Report and Michigan Department of Education Taxable Value Management System. Values assessed as of June 30 of the corresponding fiscal year are presented as of the date retrieved from the website and may potentially be adjusted by the taxing authorities.

Reeths-Puffer Schools
PROPERTY TAX RATES—DIRECT AND OVERLAPPING GOVERNMENTS
 Last Ten Fiscal Years
 (rate per \$1,000 of assessed value)

<u>Tax Year</u>	<u>Fiscal Year</u>	<u>Direct Tax Rates</u>			<u>Overlapping Rates</u>					
		<u>Operating</u>	<u>Debt</u>	<u>Total</u>	<u>Cedar Creek Township</u>	<u>Dalton Township</u>	<u>Fruitland Township</u>	<u>Laketon Township</u>	<u>Muskegon Township</u>	<u>City of Muskegon</u>
2010	2010-2011	18.00	8.37	26.37	0.9253	2.2284	2.9904	2.8976	7.7624	12.0680
2011	2011-2012	18.00	8.37	26.37	2.4253	2.2284	2.9044	2.8976	7.7624	12.0749
2012	2012-2013	18.00	8.37	26.37	2.4253	2.2284	2.9044	2.8976	7.7624	12.0749
2013	2013-2014	18.00	8.37	26.37	2.4253	2.2284	2.9044	2.8976	7.7624	12.0865
2014	2014-2015	18.00	9.37	27.37	2.4220	2.2284	0.9095	2.8976	7.7624	13.0875
2015	2015-2016	18.00	10.82	28.82	2.4215	2.2284	0.9090	2.8976	7.6124	13.0869
2016	2016-2017	18.00	10.39	28.39	2.4055	2.2261	0.9040	2.8856	7.6124	13.0905
2017	2017-2018	18.00	9.75	27.75	2.3976	2.9624	0.9001	2.8665	9.1124	13.0908
2018	2018-2019	18.00	9.10	27.10	2.3976	2.9517	0.8945	2.4213	9.1124	13.0899
2019	2019-2020	18.00	8.75	26.75	2.3865	2.9400	0.8932	2.3668	9.2624	13.0865

Source: Muskegon County Equalization Department, Annual Certified Tax Rate Apportionment Report.

Reeths-Puffer Schools
PRINCIPAL PROPERTY TAXPAYERS
 Current Year and Nine Years Ago

<u>Year Ended June 30,</u>		<u>2020</u>			<u>2011</u>		
<u>Taxpayer</u>	<u>Product/service</u>	<u>Taxable Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Value</u>	<u>Taxable Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Value</u>
Consumers Energy	Utility	\$ 14,960,300	1	2.33%	\$ 81,314,692	1	12.03%
DTE Energy Company	Utility	10,579,200	2	1.65%			
Cedar Fair	Amusement park	10,153,500	3	1.58%	10,568,823	3	1.56%
Bayer Cropscience	Chemical plant	5,797,000	4	0.90%	13,285,900	2	1.97%
Meijer, Inc.	Retail	4,425,800	5	0.69%	5,768,706	4	0.85%
Bolema Lumber & Supply	Rental real estate	3,333,400	6	0.52%	1,463,869	10	0.22%
Muskegon Investments I LLC	Industrial real estate	2,764,800	7	0.43%			
Eagle Alloy, Inc.	Foundry	2,494,400	8	0.39%			
Michigan Electric Transmission Co.	Production	2,181,700	9	0.34%			
Nugent Sand Co. Inc.	Sand mining	1,753,600	10	0.27%	3,028,956	6	0.45%
Comcast of Muskegon	Cable TV				2,194,998	7	0.32%
Michigan Consolidated Gas Company	Utility				5,204,919	5	0.77%
Land Management LLC	Rental real estate				1,934,401	8	0.29%
B Park Meadows LLC	Mobile home park				1,734,979	9	0.26%
Westech	Machine shop						
Total Principal taxpayers		58,443,700		9.11%	126,500,243		18.72%
Balance of valuations		582,762,030		90.89%	549,425,587		81.28%
Total Taxable Valuation		\$ 641,205,730		100.00%	\$ 675,925,830		100.00%

Source: Muskegon County Equalization Department.

Reeths-Puffer Schools
PROPERTY TAX LEVIES AND COLLECTIONS
 Last Ten Fiscal Years

<u>Tax Year</u>	<u>Fiscal Year</u>	<u>Taxes Levied for the Fiscal Year</u>	<u>Collected Within the Fiscal Year of the Levy</u>		<u>Collections (Refunds) in Subsequent Years</u>	<u>Total Collections to Date</u>	
			<u>Amount</u>	<u>Percent of levy</u>		<u>Amount</u>	<u>Percent of levy</u>
2010	2010-2011	\$ 9,273,273	\$ 9,263,318	99.89%	\$ (71,665)	\$ 9,191,653	99.12%
2011	2011-2012	8,485,214	8,474,234	99.87%	(55,687)	8,418,548	99.21%
2012	2012-2013	8,080,744	8,083,830	100.04%	(36,941)	8,046,889	99.58%
2013	2013-2014	7,944,813	7,940,154	99.94%	(38,694)	7,901,460	99.45%
2014	2014-2015	8,200,773	8,209,931	100.11%	4,755	8,214,686	100.17%
2015	2015-2016	9,168,339	9,164,073	99.95%	(15,126)	9,148,947	99.79%
2016	2016-2017	8,843,740	8,844,293	100.01%	(43,185)	8,801,109	99.52%
2017	2017-2018	8,452,910	8,452,909	100.00%	27,233	8,480,142	100.32%
2018	2018-2019	8,377,310	8,375,499	99.98%	-	8,375,499	99.98%
2019	2019-2020	8,253,327	8,253,327	100.00%	-	8,253,327	100.00%

Source: Reeths-Puffer Schools District records.

Reeths-Puffer Schools
RATIOS OF OUTSTANDING DEBT BY TYPE
 Last Ten Fiscal Years

Tax Year	Fiscal Year	General obligation bonds	School Loan Revenue Refunding Bonds	School Bond Loan Fund/School Loan Revolving Fund	Capital Lease Obligations	Installment Purchase Agreement	Total Outstanding Debt	Debt Service Funds Available	Net Debt Outstanding (1)	Total Taxable Value	Estimated Population (1)	Outstanding Debt Per Capita	Taxable Value Per Capita
2010	2010-2011	\$ 74,817,443	\$ 89,259	\$ 15,890,777	\$ 18,063	\$ -	\$ 90,815,542	\$ 211,090	\$ 90,604,452	\$ 672,504,078	\$ 21,490	\$ 4,216	\$ 31,294
2011	2011-2012	70,987,012	45,667	17,936,062	-	-	88,968,741	-	88,968,741	660,330,545	21,373	4,163	30,896
2012	2012-2013	67,611,286	-	21,327,826	-	-	88,939,112	151,703	88,787,409	604,796,117	21,234	4,181	28,482
2013	2013-2014	62,927,003	-	24,291,256	-	-	87,218,259	260,775	86,957,484	597,635,400	21,337	4,075	28,009
2014	2014-2015	58,711,049	-	26,731,054	-	-	85,442,103	285,748	85,156,355	587,570,546	21,503	3,960	27,325
2015	2015-2016	81,966,729	-	122,902	-	-	82,089,631	477,255	81,612,376	597,652,772	21,559	3,786	27,722
2016	2016-2017	70,581,695	-	6,749,853	239,753	-	77,571,301	733,608	76,837,693	591,260,559	21,636	3,551	27,328
2017	2017-2018	60,557,828	-	13,356,082	184,160	453,784	74,551,854	243,051	74,308,803	597,685,956	21,675	3,428	27,575
2018	2018-2019	50,204,130	-	20,782,432	125,815	363,027	71,475,404	276,990	71,198,414	620,856,990	21,660	3,287	28,664
2019	2019-2020	60,700,233	-	7,279,202	64,569	272,270	68,316,274	308,362	68,007,912	641,205,730	21,660	3,140	29,603

Sources: Reeths-Puffer Schools financial records and audited financial statements.

(1) Census figure for 2019 not yet released. The 2018 population figure was used as estimate.

Reeths-Puffer Schools
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
 Last Ten Fiscal Years

<u>Tax Year</u>	<u>Fiscal Year</u>	<u>General Obligation Bonds (1)</u>	<u>Debt Service Funds Available</u>	<u>Net Debt Outstanding</u>	<u>Total Taxable Value</u>	<u>Outstanding Debt as a % of Taxable Value</u>	<u>Estimated Population (2)</u>	<u>Outstanding Debt Per Capita</u>	<u>Taxable Value Per Capita</u>	<u>Ratio - debt to personal income</u>
2010	2010-2011	74,817,443	211,090	74,606,353	672,504,078	11.09%	21,490	3,472	31,294	12.61%
2011	2011-2012	70,987,012	-	70,987,012	660,330,545	10.75%	21,373	3,321	30,896	11.61%
2012	2012-2013	67,611,286	151,703	67,459,583	604,796,117	11.15%	21,234	3,177	28,482	10.49%
2013	2013-2014	62,927,003	260,775	62,666,228	597,635,400	10.49%	21,337	2,937	28,009	9.40%
2014	2014-2015	58,711,049	285,748	58,425,301	587,570,546	9.94%	21,503	2,717	27,325	8.25%
2015	2015-2016	81,966,729	477,255	81,489,474	597,652,772	13.63%	21,559	3,780	27,722	10.93%
2016	2016-2017	70,581,695	733,608	69,848,087	591,260,559	11.81%	21,636	3,228	27,328	9.06%
2017	2017-2018	60,557,828	243,051	60,314,777	597,685,956	10.09%	21,675	2,783	27,575	7.49%
2018	2018-2019	50,204,130	276,990	49,927,140	620,856,990	8.04%	21,660	2,305	28,664	N/A
2019	2019-2020	60,700,233	308,362	60,391,871	641,205,730	9.42%	21,660	2,788	29,603	N/A

Sources and notes:

(1) Presented net of discounts and premiums

(2) Census figure for 2019 not yet released. The 2018 population figure was used as estimate.

Reeths-Puffer Schools
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
 June 30, 2020

<u>Governmental Unit</u>	<u>Debt</u> <u>Outstanding</u>	<u>Estimated</u> <u>Percentage</u> <u>Applicable</u> <u>(1)</u>	<u>Estimated Share of</u> <u>Direct and</u> <u>Overlapping Debt</u>
Cedar Creek Township	\$ -	9.32%	\$ -
Dalton Township	4,471,925	84.63%	3,784,590
Fruitland Township	2,477,650	19.20%	475,709
Laketon Township	5,801,892	100.00%	5,801,892
Muskegon Township	14,293,972	33.82%	4,834,221
City of Muskegon	28,197,569	0.81%	228,400
Muskegon County	113,062,267	13.81%	15,613,899
Muskegon Area ISD	-	13.76%	-
Muskegon Community College	32,050,000	13.81%	4,426,105
Subtotal, overlapping debt			35,164,816
District Direct Debt			68,316,274
Total Direct and Overlapping Debt			\$ 103,481,090

Source: Municipal Advisory Council of Michigan.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the county. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the School District. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account; however, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

(1) The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the county's taxable assessed value that is within the government's boundaries and dividing it by the county's total taxable assessed value.

Reeths-Puffer Schools
LEGAL DEBT MARGIN INFORMATION
 Last Ten Fiscal Years

Legal Debt Margin Calculation For Fiscal Year 2019-2020:

State Equalized Valuation (SEV), July 1, 2019	\$ 767,925,870
Statutory Debt Limit (15% of SEV)	115,188,881
Debt applicable to Debt Limit	60,700,233
Legal Debt Margin	<u><u>\$ 54,488,648</u></u>

<u>Tax Year</u>	<u>Fiscal Year</u>	<u>State Equalized Value (SEV)</u>	<u>Statutory Debt Limit (15% of SEV)</u>	<u>Debt Applicable to Debt Limit</u>	<u>Legal Debt Margin</u>	<u>Debt as a Percentage of Debt Limit</u>
2010	2010-2011	\$ 764,954,600	\$ 114,743,190	\$ 74,817,443	\$ 39,925,747	65.20%
2011	2011-2012	728,815,700	109,322,355	70,987,012	38,335,343	64.93%
2012	2012-2013	689,988,400	103,498,260	67,611,286	35,886,974	65.33%
2013	2013-2014	638,182,150	95,727,323	62,927,003	32,800,320	65.74%
2014	2014-2015	646,772,580	97,015,887	58,711,049	38,304,838	60.52%
2015	2015-2016	662,067,750	99,310,163	81,966,729	17,343,434	82.54%
2016	2016-2017	677,826,700	101,674,005	70,581,695	31,092,310	69.42%
2017	2017-2018	713,011,271	106,951,691	60,557,828	46,393,863	56.62%
2018	2018-2019	732,629,200	109,894,380	50,204,130	59,690,250	45.68%
2019	2019-2020	767,925,870	115,188,881	60,700,233	54,488,648	52.70%

Source: Muskegon County, Annual Equalization report.

Reeths-Puffer Schools
SCHOOL BOND LOAN FUND AND SCHOOL LOAN REVOLVING FUND PROGRAMS
Year ended June 30, 2020

As of June 30, 2020, the School District has a GO School Loan Revolving Fund balance of \$7,279,202. During the 2019-2020 fiscal year, the School District issued taxable bonds with par \$21,215,000 to amount of refinance the outstanding School Bond Loan Fund and School Loan Revolving Fund balances.

The Bonds are fully qualified as of the date of delivery pursuant to Act 108 of the Public Acts of Michigan, 1961, as amended, enacted pursuant to Article IX, Section 16, of the Michigan Constitution of 1963. Under the terms of said constitutional and statutory provisions, if for any reason, the School District will be or is unable to pay the principal and interest on the Bonds when due, the School District shall borrow, and the State of Michigan (State) shall lend to it from the School Bond Loan Fund or School Loan Revolving Fund established by the State, an amount sufficient to enable the School District to make payment. Article IX, Section 16 of the Michigan Constitution, as implemented by Act 112 of the Public Acts of Michigan, 1961, as amended, authorizes the State, without approval of its electors, to borrow from time to time such amounts as shall be required, pledge the State's full faith and credit and issue its notes or bonds therefore, for the purpose of making loans to school districts as provided amounts as shall be required, pledge the State's full faith and credit and issue its notes or bonds therefore, for the purpose of making loans to school districts as provided under such section. Loans to school districts for such purposes are made from the proceeds of such State borrowing.

Complete financial statements of all of the State's funds as included in the State's Comprehensive Annual Financial Report (CAFR) prepared by the State's Department of Management and Budget are available upon request from the Department of Management and Budget, Office of Financial Management, P.O. Box 30026, Lansing, Michigan 48909, telephone (517) 373-1011. The State has agreed to file its CAFR with the Nationally Recognized Securities Information Repositories and the State Information Depository (as described in Rule 15c2-12(b)(5) of the Securities Exchange Commission) annually, so long as any bonds qualified for participation in the School Bond Loan Fund remain outstanding.

Reeths-Puffer Schools
DEMOGRAPHIC AND ECONOMIC STATISTICS
 Last Ten Calendar Years

<u>Calendar Year</u>	<u>Unemployment Rate</u>				<u>Personal Income (5)</u>	
	<u>Estimated Population</u> (1)	<u>Muskegon County</u> (2)	<u>State of Michigan</u> (3)	<u>Inflation Rate</u> (4)	<u>Total (in thousands)</u>	<u>Per Capita</u>
2010	21,490	13.5%	12.7%	1.5%	4,917,760	27,529
2011	21,373	10.2%	10.4%	3.0%	5,148,421	28,605
2012	21,234	8.8%	9.1%	1.7%	5,313,721	30,289
2013	21,337	8.1%	8.4%	1.5%	5,398,085	31,234
2014	21,503	7.4%	7.3%	0.8%	5,674,297	32,936
2015	21,559	5.6%	5.4%	0.7%	5,969,540	34,567
2016	21,636	4.8%	4.0%	2.1%	6,180,403	35,641
2017	21,675	5.1%	4.3%	2.1%	6,452,555	37,149
2018	21,660	4.6%	4.4%	1.7%	N/A	N/A
2019	21,660	12.8%	8.7%	1.3%	N/A	N/A

Sources and notes:

- (1) US Census Bureau School District estimates. 2019 information not yet available; 2018 used as estimate.
- (2) State of Michigan Department of Technology, Management and Budget (DTMB). Annual County jobless rate, not seasonally-adjusted.
- (3) State of Michigan DTMB. Annual State of MI jobless rate, not seasonally-adjusted.
- (4) U.S. Department of Labor, Bureau of Labor Statistics (BLS). National CPI, August 2020, not seasonally-adjusted.
- (5) US Bureau of Economic Analysis. Income, population, and per-capita income by year for Muskegon County, MI. Retrieved September 2020. Information for 2019 not yet available.

Reeths-Puffer Schools
PRINCIPAL EMPLOYERS IN MUSKEGON COUNTY
 Current Year and Nine Years Ago

Year Ended June 30,	<u>2020 (1)</u>			<u>2011 (2)</u>		
<u>Employer</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Employment</u>
Mercy Health Partners	3,457	1	4.0%	3,657	1	4.7%
Arconic Power & Propulsion (4)	3,000	2	3.5%	2,420	2	3.1%
County of Muskegon	1,300	3	1.5%	1,206	3	1.6%
ADAC Automotive	900	4	1.1%	500	9	0.6%
Meijer Inc.	900	5	1.1%	866	5	1.1%
G.E. Aviation	865	6	1.0%			
Aludyne (5)	860	7	1.0%	556	8	0.7%
Wesco	739	8	0.9%	915	4	1.2%
Structural Concepts	613	9	0.7%			0.0%
Walmart	530	10	0.6%			
L3 Communications				722	6	0.9%
Johnson Technology, Inc.				465	10	0.6%
Eagle Group				573	7	0.7%
Total Principal Employees	13,164		15.4%	11,880		15.3%
Total Employment Base (3)	85,363			77,474		

Sources and notes:

- 1) Muskegon Area First. 2020 largest employers report, retrieved September, 2020.
- 2) Muskegon County Comprehensive Annual Financial Report, for Fiscal Year Ended September 30, 2011.
- 3) Total Muskegon County labor force as of June of the corresponding fiscal year presented. Source: Michigan DTMB.
- 4) Arconic Power & Propulsion was formerly known as Howmet and Alcoa Howmet. Prior amounts shown on same line.
- 5) Aludyne was formerly known as Chassix and Diversified Machine. Prior amounts shown on same line.

Reeths-Puffer Schools
DISTRICT EMPLOYEES BY TYPE
 Last Ten Fiscal Years

Employee Category	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Administrators	23	23	23	23	23	23	24	24	24	23
Admin. Office Personnel/Technology	6	6	6	6	6	6	6	6	6	7
Teachers	221	223	224	219	221	230	230	238	240	244
Secretarial/Clerical	23	23	23	24	25	25	26	26	25	24
Aides/Paraprofessionals	71	69	62	58	60	66	52	53	56	57
Maintenance/Custodial	7	7	6	7	7	6	6	6	6	6
Transportation	1	1	5	5	5	4	4	4	4	4
Food Service	28	29	29	28	31	29	29	28	28	30
Total	380	381	378	370	378	389	377	385	389	395

Source: District payroll records.

Reeths-Puffer Schools
SCHOOL ENROLLMENT
 Last Ten Fiscal Years

Historical enrollment for the School District is as follows:

<u>School year</u>	<u>Enrollment</u>	<u>School year</u>	<u>Enrollment</u>
2019-2020	3,572	2014-2015	3,853
2018-2019	3,702	2013-2014	3,874
2017-2018	3,828	2012-2013	3,870
2016-2017	3,803	2011-2012	3,843
2015-2016	3,790	2010-2011	4,017

Enrollment by grades for school year 2019-2020 is as follows:

Kindergarten	289	Seventh	291
First	244	Eighth	286
Second	252	Ninth	297
Third	234	Tenth	267
Fourth	262	Eleventh	271
Fifth	263	Twelfth	298
Sixth	291	Special Ed.	<u>27</u>
		TOTAL	<u><u>3,572</u></u>

Reeths-Puffer Schools
OPERATING STATISTICS
 Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Enrollment</u>	<u>Percentage Change</u>	<u>Operating Expenditures</u>	<u>Percentage Change</u>	<u>Cost Per Pupil</u>	<u>Percentage Change</u>	<u>Percentage of Students Receiving Free or Reduced Price Meals</u>
2010-2011	4,017	1.36%	\$ 34,469,732	1.61%	8,581	0.25%	45.90%
2011-2012	3,843	-4.33%	34,447,773	-0.06%	8,964	4.46%	49.43%
2012-2013	3,870	0.70%	33,758,554	-2.00%	8,723	-2.68%	44.34%
2013-2014	3,874	0.10%	34,909,342	3.41%	9,011	3.30%	46.19%
2014-2015	3,853	-0.54%	35,808,983	2.58%	9,294	3.14%	50.50%
2015-2016	3,790	-1.64%	36,638,974	2.32%	9,667	4.02%	49.55%
2016-2017	3,803	0.34%	36,918,708	0.76%	9,708	0.42%	48.40%
2017-2018	3,828	0.66%	38,866,117	5.27%	10,153	4.59%	51.18%
2018-2019	3,702	-3.29%	38,965,228	0.26%	10,525	3.67%	45.64%
2019-2020	3,572	-3.51%	38,726,105	-0.61%	10,842	3.00%	51.29%

Source: District enrollment and financial records. Free and reduced rates retrieved from MI School Data.

Link: (<https://www.mischooldata.org/Other/DataFiles/StudentCounts/HistoricalFreeAndReducedLunchCounts.aspx>)

Reeths-Puffer Schools
STATE AID SUMMARY—FUNDS FROM STATE SOURCES
(INCLUDING CATEGORICALS)
Last Ten Fiscal Years

<u>Year ended</u> <u>June 30</u>	<u>Amount</u>
2011	\$ 25,746,844
2012	25,141,272
2013	25,983,244
2014	27,352,472
2015	28,543,207
2016	29,346,038
2017	30,405,694
2018	32,059,289
2019	31,922,962
2020	32,665,510

Source: State of Michigan August State Aid Status Report

Reeths-Puffer Schools
PENSION FUND
 Last Ten Fiscal Years

The School District will pay a base rate equal to a percent of its employees' wages to the Michigan Public School Employees Retirement System (MPSERS) which is administered by the State of Michigan. The following were the applicable contribution rates required by law for the periods:

October 1, 2010—October 31, 2010	19.41	%
November 1, 2010—September 30, 2011	20.66	
October 1, 2011—September 30, 2012	24.46	
October 1, 2012—January 31, 2013	25.13 - 26.20	
February 1, 2013—September 30, 2013	25.92 - 28.56	
October 1, 2013 - September 30, 2014	29.35 - 31.52	
October 1, 2014 - September 30, 2015	28.59 - 33.41	
October 1, 2015 - September 30, 2016	31.49 - 36.31	
October 1, 2016 - September 30, 2017	32.66 - 36.64	
October 1, 2017 - September 30, 2018	32.28 - 36.88	
October 1, 2018 - September 30, 2019	33.17 - 39.37	
October 1, 2019 - September 30, 2020	33.37 - 39.91	

These contributions are required by law. The School District's contributions for the past ten years are shown below. The School District does not have an unfunded accrued liability under MPSERS.

Year ending June 30	Paid to pension funds
2011	\$ 3,800,496
2012	4,527,762
2013	4,841,396
2014	5,433,868
2015	6,317,722
2016	6,922,535
2017	6,908,997
2018	7,580,822
2019	7,474,811
2020	7,660,038

Effective January 1, 1987, members of MPSERS may irrevocably elect to contribute a percentage of their gross wages on a tax deferred basis to a member investment plan (MIP) which qualifies them for additional benefits. All employees hired after January 1, 1990 will contribute to the plan at a graduated rate of their gross wages. If a member leaves MPSERS service before a retirement benefit has vested, the member's accumulated

Reeths-Puffer Schools
SCHOOL BUILDING INFORMATION

<u>Site</u>	<u>Grade Configuration</u>	<u>Acreage</u>	<u>Date Originally Constructed</u>	<u>Additions and Renovations</u>	<u>Square feet</u>
McMillan Early Childhood Center	Pre-K	10	1955	1969, 2004, 2005	43,000
Pennsylvania Elementary	Pre-K - K	5.8	1962	1996, 2004	10,602
Central Elementary	K-4	27	1951	1990, 2004, 2005, 2011	55,361
Reeths-Puffer Elementary	K-4	15	1948	1960, 1996, 2004, 2011	66,000
Twin Lake Elementary	K-4	12.6	1953	1972, 1991, 1996, 2004, 2005, 2011	39,691
Reeths-Puffer Intermediate School	5-6	21	1954	1957, 1996, 2004, 2005	95,000
Reeths-Puffer Middle School	7-8	52	1945	1971, 1998, 2004, 2005, 2010	131,000
Reeths-Puffer High School	9-12	61.5	1994	1998	288,000
Duck Creek Learning Center Alternative Ed	9-12	5	1956	1958, 1961, 2004	12,371
Educational Services Building	N/A	2	1962	1970, 1978, 2004	10,602
Transportation	N/A	5.2	2004		8,075
River Road Property 2475 S. River Rd., Muskegon Township	N/A	56			
Gun Club Property Duff Rd., Dalton Township	N/A	160			
Staple Road Property Staple Rd., Dalton Township	N/A	40			
Buel Playground Russell Rd., Muskegon Township	N/A	2			

Source: District records.