

North Muskegon Public Schools

**REPORT ON FINANCIAL STATEMENTS**  
(with required supplementary information)

Year ended June 30, 2022



North Muskegon Public Schools

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# BRICKLEY DeLONG

## CERTIFIED PUBLIC ACCOUNTANTS

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### INDEPENDENT AUDITOR'S REPORT

Board of Education  
North Muskegon Public Schools  
North Muskegon, Michigan

#### **Report on the Audit of the Financial Statements**

##### ***Opinions***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of North Muskegon Public Schools, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise North Muskegon Public Schools' basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the North Muskegon Public Schools, as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

##### ***Basis for Opinions***

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

##### ***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about North Muskegon Public Schools' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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North Muskegon, Michigan  
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### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

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

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4-10 and 40-45 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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North Muskegon, Michigan  
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### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2022, on our consideration of the North Muskegon Public 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 the North Muskegon Public 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 North Muskegon Public Schools' internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Brickley DeLong, P.C." The signature is fluid and cursive, with "Brickley" and "DeLong" connected by a single stroke, and "P.C." in a smaller, more formal script at the end.

Muskegon, Michigan  
October 13, 2022

# **North Muskegon Public Schools**

## **Management's Discussion and Analysis**

This section of the North Muskegon Public School's annual financial report presents our discussion and analysis of the District's financial performance during the year ended June 30, 2022. Please read it in conjunction with the District's financial statements, which immediately follow this section.

### **Using this Annual Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand North Muskegon Public Schools financially as a whole. The District-wide financial statements provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. The fund financial statements look at the District's operations in more detail than the District-wide financial statements by providing information about the District's most significant funds. The basic financial statements are comprised of the following elements:

#### **Management's Discussion and Analysis (MD&A)**

(Required Supplementary Information)

#### **Basic Financial Statements**

District-wide Financial Statements

Fund Financial Statements

Notes to Financial Statements

#### **Budgetary Information for Major Funds**

(Required Supplementary Information)

### **Reporting the District as a Whole—District-wide Financial Statements**

The District-wide financial statements are designed to provide readers with a broad overview of North Muskegon Public School's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of North Muskegon Public School's assets/deferred outflow of resources and liabilities/deferred inflow of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. The relationship between revenues and expenses is the District's operating results. However, the District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the quality of the education provided and the safety of the District, to assess the overall health of the District.

# North Muskegon Public Schools

## Management's Discussion and Analysis

The Statement of Net Position and Statement of Activities report the governmental activities for the District, which encompass all of the District's services, including instruction, support services, community services, food services, student/school activities and athletics. Property taxes, unrestricted state aid (foundation allowance revenue) and state and federal grants finance most of these activities.

### **Reporting the District's Most Significant Funds—Fund Financial Statements**

The District's fund financial statements provide detailed information about the most significant funds, not the District as a whole. The governmental funds of the District use the following accounting approach:

Governmental funds—all of the District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation.

### **The District as a Whole**

The following table provides a summary of the District's net position as of June 30, 2022 and 2021:

**Statement of Net Position**

	<b>2022</b>	<b>2021</b>
<b>Assets</b>		
Current and other assets	\$ 5,420,981	\$ 5,809,899
Capital assets	<u>12,082,754</u>	<u>12,390,551</u>
Total assets	17,503,735	18,200,450
Deferred outflows of resources	<u>4,543,688</u>	<u>6,004,931</u>
Total assets and deferred outflow of resources	22,047,423	24,205,381
<b>Liabilities</b>		
Current liabilities	3,773,847	4,225,273
Long-term liabilities	<u>30,654,936</u>	<u>40,050,623</u>
Total liabilities	34,428,783	44,275,896
Deferred inflows of resources	<u>8,868,754</u>	<u>3,163,809</u>
Total liabilities and deferred inflows of resources	43,297,537	47,439,705
<b>Net position</b>		
Net investment in capital assets	3,980,743	3,109,465
Restricted for debt service	505,039	602,616
Restricted for technology	44,393	52,569
Restricted for capital outlay/maintenance	245,938	207,737
Unrestricted	<u>(26,026,227)</u>	<u>(27,206,711)</u>
Total net position	<b><u>\$ (21,250,114)</u></b>	<b><u>\$ (23,234,324)</u></b>

# **North Muskegon Public Schools**

## **Management's Discussion and Analysis**

Recall that the Statement of Net Position provides the perspective of the District as a whole. The significant changes from last year to this year were as follows:

- Current and Other Assets decreased primarily due to less cash due to borrowing less on this year's state aid note.
- Capital assets decreased due to normal depreciation exceeding current year capital asset additions.
- Deferred outflow of resources decreased was related to pension costs.
- Current liabilities decreased due to a reduction in deferred revenue and smaller state aid loan.
- Noncurrent liabilities decreased due to normal debt payments and lower pension and OPEB liabilities.
- Deferred inflows of resources increased due to an increase in pension and OPEB items.

The previous table focuses on the net position. The change in the net position of the District's governmental activities is discussed below. The District's net position was \$(21,250,114) at June 30, 2022. Net investment in capital assets of \$3,980,743 which compares the original cost (less depreciation) of the District's capital assets to long-term debt used to finance the acquisition of those assets. Net investment in capital assets improved due to repayment of related long-term debt. Some resources are restricted for specific activities. Total restricted net position was \$795,370. The remaining net position of \$(26,026,227) was unrestricted.

The \$(26,026,227) deficit in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. The operating results of the General Fund (the District's largest fund) will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the District as a whole are reported in the Statement of Activities, which shows the changes in net assets for fiscal years 2022 and 2021. Charges for services increased due the District having the first choir performance post COVID and an increase in food service sales due to the District returning to a more normal class schedule. Operating grants revenue increase due to the additional COVID relief grants that were awarded to the District which includes offering free meals to all students. Grants and contributions not restricted to specific programs increased due to an increase in state funding through a foundation increase. The District's enrollment decreased but the increase in the foundation allowance increased the total budget. Property taxes increased from the previous year due to an increase in the District's taxable value. Investment earnings decreased due to lower interest rates and less money to invest throughout the year.

Instruction expenses decreased due to lower pension and OPEB costs. Community services expenses increased due to the first choir performance since COVID. Food services costs increased due to an increase in meals served.

# North Muskegon Public Schools

## Management's Discussion and Analysis

### Statement of Activities

	<b>2022</b>	<b>2021</b>
Program Revenues		
Charges for Services	\$ 563,099	\$ 318,858
Operating Grants	2,628,068	2,169,466
General Revenues		
Property taxes	2,121,012	2,071,913
Grants and Contributions Not Restricted to Specific Programs	9,063,622	8,873,110
Investment Earnings	1,186	1,799
Miscellaneous	35,470	100,303
	<hr/>	<hr/>
Total Program Revenues and General Revenues	14,412,457	13,535,449
Expenses		
Instruction	7,128,722	8,143,770
Support Services	3,649,027	3,617,974
Community Services	39,767	65
Food Services	522,469	466,401
Athletics	282,782	349,202
Student/school activities	337,055	203,582
Interest on long-term debt	468,425	506,965
	<hr/>	<hr/>
Total Expenses	12,428,247	13,287,959
Change in Net Position	1,984,210	247,490
Net Position at Beginning of Year	<hr/> (23,234,324)	<hr/> (23,481,814)
Net Position at End of Year	<hr/> <b>\$ (21,250,114)</b>	<hr/> <b>\$ (23,234,324)</b>

### The District's Funds

As we noted earlier, the District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the District is being accountable for the resources taxpayers and others provide to it and may provide more insight into the District's overall financial health.

In the General Fund, our principal operating fund, the fund balance decreased by \$36,798 to \$1,343,778. The decrease in the fund balance is largely due to the decrease in the number of students while not being able to decrease the variable operating cost. There was use of the federal COVID grants to help to offset the increase in cost with the District moving back to a more traditional educational schedule.

# **North Muskegon Public Schools**

## **Management's Discussion and Analysis**

### **General Fund Budgetary Highlights**

Over the course of the year, the District revises its budget as it attempts to deal with the unexpected changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was actually adopted just before year end. (A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in the required supplementary information section of these financial statements).

The major revisions made to the 2021/2022 General Fund's original budget were:

Revenues:

- State sources increased due to the increase in the foundation allowance offset by the lower enrollment compared to the projection.
- Federal sources increased due to the increase in federal awards used because of COVID-19.

Expenditures:

- Basic programs were increased due to an increase in teacher FTE along with an increase in the 147c ORS cost.
- Added needs costs decreased as a result of less pass through cost from the center based programs from the Muskegon Area ISD.
- School Administration increased due to the additional hours and payments for the support for the summer school programs.
- Operations and maintenance increased because of utilities.
- Transportation costs increased due additional bus repairs, more field trips and an increase in the amount of hours transportation needed.

Final budget to actual variances

Revenues:

- State revenues came in higher than expected due to the state giving the District move MPSERS offset funding. This does not influence the General Fund fund balance, as there is a corresponding expenditure to offset the revenue.
- Transfers came in higher than the budget due to an increase in the ACT 18 revenue from the Muskegon Area ISD. Also, share time revenue was higher than expected.

Expenditures:

- Throughout all line items, pension and OPEB cost came in higher because of the 147c increase in our allocation as noted above. There is a corresponding revenue line item that is described above.
- Transportation was higher due to a higher than expected third party bill.
- Operations and maintenance costs were lower than expected due to fewer repairs.

# **North Muskegon Public Schools**

## **Management's Discussion and Analysis**

### **Capital Asset and Debt Administration**

#### **Capital Assets**

At June 30, 2022, the District had \$12,082,754 (after accumulated depreciation) invested in a broad range of capital assets, including land, buildings, and furniture and equipment. This amount represents a net decrease (including additions, deductions, and depreciation) of \$307,797 from last year. This year's decrease was the result of not adding a lot of capital assets while the annual depreciation was higher than those additions. The largest capital addition during the year was the completion of a roof improvement. We present more detailed information about our capital assets in the notes to the financial statements.

	<b>2022</b>	<b>2021</b>
Buildings and Land	\$ 20,491,697	\$ 20,317,607
Furniture and Equipment	1,803,156	2,146,948
Vehicles	254,013	254,013
Total Capital Assets	22,548,866	22,718,568
Less Accumulated Depreciation	<u>10,466,112</u>	<u>10,328,017</u>
Total Capital Assets, Net	<b><u>\$12,082,754</u></b>	<b><u>\$12,390,551</u></b>

#### **Long-term Obligations**

At June 30, 2022, the School District had \$17,039,500 in outstanding long-term obligations. During the year, the outstanding bond balance decreased because the District continued to pay off the past bonds. The District did not borrow additional funds from state aid revolving loan fund to assist with the bond payments noted below.

	<b>2022</b>	<b>2021</b>
Bonds	\$ 13,607,011	\$ 14,696,992
Notes from direct borrowings and direct placements	3,300,988	3,236,298
Compensated absences	57,918	63,265
Early retirement obligations	73,583	45,583
Total long-term obligations	<b><u>\$17,039,500</u></b>	<b><u>\$18,042,138</u></b>

# **North Muskegon Public Schools**

## **Management's Discussion and Analysis**

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### **Economic Factors and Next Year's Budget**

Our appointed officials and administration considered many factors when setting the District's 2023 fiscal year budget. One of the most important factors affecting the budget is our student count and the State's budget. As of June 30, 2022, the State has not released the budget for the upcoming school year. On top of not knowing the revenue, the District is trying to determine the enrollment level for the upcoming year. The District is working on determining the amount of school of choice students that will come back to North Muskegon Public Schools. Without fully knowing the foundation allowance and the District's enrollment, it is tough to determine the programming that is needed for the District. The original 2023 budget was adopted in June 2022, anticipating enrollment decreasing by a small amount as our incoming grades are smaller than our secondary grades that are graduating. Due to this uncertainty, the teacher's union and the district agreed upon a formula that takes foundation allowance, retirement costs, health insurance costs, and enrollment into consideration. The District is still working with the support union as their contract has expired on June 30, 2022.

Due to the uncertainty stated above, the budget was adopted for the 2022-2023 projecting a decrease of fund balance by \$88,188.

The District obtained a state aid anticipation note in the amount of \$950,000 for the 2022-2023 school year.

### **Request for Information**

This financial report is designed to provide a general overview of North Muskegon Public School's finances for those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to North Muskegon Public Schools, 1600 Mills Avenue, Muskegon, MI 49445 or by calling (231) 719-4100.

North Muskegon Public Schools  
**STATEMENT OF NET POSITION**  
June 30, 2022

	<u><b>Governmental activities</b></u>
<b>ASSETS</b>	
Current assets	
Cash and cash equivalents	\$ 3,357,407
Receivables	12,696
Due from other governmental units	1,970,342
Inventories	3,763
Prepaid items	<u>76,773</u>
Total current assets	5,420,981
Noncurrent assets	
Capital assets, net	420,000
Nondepreciable	<u>11,662,754</u>
Depreciable	<u>12,082,754</u>
Total noncurrent assets	<u>17,503,735</u>
Total assets	<u>17,503,735</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Related to other postemployment benefits	1,268,667
Related to pensions	<u>3,275,021</u>
Total deferred outflows of resources	<u>4,543,688</u>
Total assets and deferred outflows of resources	22,047,423
<b>LIABILITIES</b>	
Current liabilities	
State aid loan	750,000
Accounts payable and accrued liabilities	1,436,234
Due to other governmental units	66,736
Unearned revenue	325,236
Bonds and other obligations, due within one year	<u>1,195,641</u>
Total current liabilities	<u>3,773,847</u>
Noncurrent liabilities	
Bonds and other obligations, less amounts due within one year	15,843,859
Net other postemployment benefits liability	898,739
Net pension liability	<u>13,912,338</u>
Total noncurrent liabilities	<u>30,654,936</u>
Total liabilities	<u>34,428,783</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Related to other postemployment benefits	3,371,132
Related to pensions	<u>5,497,622</u>
Total deferred inflows of resources	<u>8,868,754</u>
Total liabilities and deferred inflows of resources	<u>43,297,537</u>
<b>NET POSITION</b>	
Net investment in capital assets	3,980,743
Restricted	
Debt service	505,039
Technology	44,393
Capital outlay/maintenance	245,938
Unrestricted	<u>(26,026,227)</u>
Total net position	<u><b>\$ (21,250,114)</b></u>

The accompanying notes are an integral part of this statement.

North Muskegon Public Schools  
**STATEMENT OF ACTIVITIES**  
For the year ended June 30, 2022

<b>Functions/Programs</b>	<b>Program Revenue</b>			<b>Net (Expense) Revenue and Changes in Net Position</b>	
	<b>Expenses</b>	<b>Charges for services</b>	<b>Operating grants and contributions</b>	<b>Governmental activities</b>	
Governmental activities					
Instruction	\$ 7,128,722	\$ -	\$ 1,376,499	\$ (5,752,223)	
Support services	3,649,027	68,550	464,143	(3,116,334)	
Community services	39,767	43,347	26	3,606	
Food services	522,469	57,726	787,400	322,657	
Student/school activities	282,782	309,523	-	26,741	
Athletics	337,055	83,953	-	(253,102)	
Interest on long-term debt	468,425	-	-	(468,425)	
Total governmental activities	<b>\$ 12,428,247</b>	<b>\$ 563,099</b>	<b>\$ 2,628,068</b>		<b>(9,237,080)</b>
General revenues					
Property taxes				2,121,012	
Grants and contributions not restricted to specific programs				9,063,622	
Investment earnings				1,186	
Miscellaneous				<b>35,470</b>	
Total general revenues				<b>11,221,290</b>	
Change in net position				1,984,210	
Net position at beginning of year				<b>(23,234,324)</b>	
Net position at end of year				<b>\$ (21,250,114)</b>	

The accompanying notes are an integral part of this statement.

North Muskegon Public Schools  
**BALANCE SHEET**  
Governmental Funds  
June 30, 2022

	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Other governmental funds</b>	<b>Total governmental funds</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,859,611	\$ 535,747	\$ 962,049	\$ 3,357,407
Receivables	12,666	-	30	12,696
Due from other governmental units	1,951,919	-	18,423	1,970,342
Due from other funds	-	46,082	24,453	70,535
Inventories	-	-	3,763	3,763
Prepaid items	76,773	-	-	76,773
Total assets	<b>\$ 3,900,969</b>	<b>\$ 581,829</b>	<b>\$ 1,008,718</b>	<b>\$ 5,491,516</b>
<b>LIABILITIES</b>				
State aid loan	\$ 750,000	\$ -	\$ -	\$ 750,000
Accounts payable	37,219	-	133	37,352
Accrued liabilities	1,323,656	-	5,458	1,329,114
Due to other governmental units	66,719	-	17	66,736
Due to other funds	63,513	7,022	-	70,535
Unearned revenue	316,084	-	9,152	325,236
Total liabilities	2,557,191	7,022	14,760	2,578,973
<b>FUND BALANCES</b>				
Nonspendable				
Inventories	-	-	3,763	3,763
Prepaid items	76,773	-	-	76,773
Restricted				
Debt service	-	574,807	-	574,807
Food service	-	-	411,566	411,566
Technology	-	-	44,393	44,393
Capital outlay/maintenance	-	-	245,938	245,938
Committed for student/school activities	-	-	288,298	288,298
Assigned to subsequent year's budget appropriations	88,188	-	-	88,188
Unassigned	1,178,817	-	-	1,178,817
Total fund balances	1,343,778	574,807	993,958	2,912,543
Total liabilities and fund balances	<b>\$ 3,900,969</b>	<b>\$ 581,829</b>	<b>\$ 1,008,718</b>	<b>\$ 5,491,516</b>

The accompanying notes are an integral part of this statement.

North Muskegon Public Schools  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
June 30, 2022

Total fund balance—governmental funds	\$ 2,912,543
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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	\$ 22,548,866
Accumulated depreciation	<u>(10,466,112)</u> 12,082,754

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	1,268,667
Deferred inflows of resources - related to other postemployment benefits	(3,371,132)
Deferred outflows of resources - related to pensions	3,275,021
Deferred inflows of resources - related to pensions	<u>(5,497,622)</u> (4,325,066)

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

(69,768)

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

(31,850,577)  
**\$ (21,250,114)**

Net position of governmental activities

The accompanying notes are an integral part of this statement.

North Muskegon Public Schools  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
 Governmental Funds  
 For the year ended June 30, 2022

	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Other governmental funds</b>	<b>Total governmental funds</b>
<b>REVENUES</b>				
Local sources				
Property taxes	\$ 572,686	\$ 1,295,666	\$ 241,971	\$ 2,110,323
Investment earnings	782	67	337	1,186
Fees and charges	127,300	-	57,726	185,026
Student/school activity income	-	-	309,523	309,523
Other	494,143	-	206,372	700,515
Total local sources	1,194,911	1,295,733	815,929	3,306,573
State sources	9,817,235	10,689	21,009	9,848,933
Federal sources	433,670	-	823,281	1,256,951
Total revenues	11,445,816	1,306,422	1,660,219	14,412,457
<b>EXPENDITURES</b>				
Current				
Instruction	7,521,289	-	-	7,521,289
Support services	3,878,351	-	260,855	4,139,206
Community services	39,767	-	-	39,767
Food services	-	-	549,984	549,984
Student/school activities	-	-	282,782	282,782
Debt service				
Principal repayment	45,000	980,000	14,286	1,039,286
Interest and other charges	28,460	429,578	1,971	460,009
Capital outlay	-	-	187,850	187,850
Total expenditures	11,512,867	1,409,578	1,297,728	14,220,173
Excess (deficiency) of revenues over (under) expenditures	(67,051)	(103,156)	362,491	192,284
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	30,253	-	-	30,253
Transfers out	-	-	(30,253)	(30,253)
Total other financing sources (uses)	30,253	-	(30,253)	-
Net change in fund balances	(36,798)	(103,156)	332,238	192,284
Fund balances at beginning of year, as restated	1,380,576	677,963	661,720	2,720,259
Fund balances at end of year	<b>\$ 1,343,778</b>	<b>\$ 574,807</b>	<b>\$ 993,958</b>	<b>\$ 2,912,543</b>

The accompanying notes are an integral part of this statement.

North Muskegon Public 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, 2022

Net change in fund balances—total governmental funds \$ 192,284

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	\$ (481,887)	
Capital outlay	<u>174,090</u>	(307,797)

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. 1,027,291

Interest expense on long-term obligations is recorded in the Statement of Activities when incurred, but is not reported in governmental funds until paid. 5,579

Compensated absences and early retirement incentives 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. (24,653)

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. 919,976

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. 171,530

Change in net position of governmental activities \$ 1,984,210

The accompanying notes are an integral part of this statement.

North Muskegon Public Schools  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2022

## **NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of North Muskegon Public 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.

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. 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 Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligations.

North Muskegon Public Schools  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2022

**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, student/school activities, and technology millage activities in special revenue funds.

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

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.

North Muskegon Public Schools  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2022

**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, 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.

**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.

North Muskegon Public Schools  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2022

**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 cost of more than \$5,000 and an estimated useful life in excess of one year. Management has elected to include certain homogeneous asset categories with individual assets less than \$5,000 as composite groups for financial reporting purposes.

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 estimated fair value at the date of donation.

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>
Buildings and improvements	15-50
Furniture and equipment	5-20
Vehicles	8-10

North Muskegon Public Schools  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2022

**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 Plan***

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 (MPSERS) and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

***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 assets that applies to a future period(s) and so 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 assets that applies to a future period(s) and so 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, School Bond Loan Fund and School Loan Revolving Fund debt is not considered to be capital related debt.

North Muskegon Public Schools  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2022

**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.

North Muskegon Public Schools  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2022

**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 Superintendent 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, 2022.

North Muskegon Public Schools  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2022

**NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY—Continued**

**Sinking Fund Compliance**

The Sinking Fund Capital Project Fund records capital project activities funded with a Sinking Fund millage. For this fund, the School District has complied with the applicable provisions of §1212 of the Revised School Code.

**NOTE C—DEPOSITS AND INVESTMENTS**

As of June 30, 2022, the School had the following investments:

Investment Type	Fair value	Weighted average maturity (Days)	Standard & Poor's rating	Percent
Money Market Funds	\$ 585,023	28	not rated	<b>94%</b>
External investment pool	40,263	28	AAAm	<b>6%</b>
Total fair value	<b>\$ 625,286</b>			<b>100%</b>

The School voluntarily invests certain excess funds in an external investment pool (Pool). The Pool is an external investment pool of “qualified” investments for Michigan municipalities. The Pool is not regulated nor registered with the SEC. The fair value of the School’s investments is the same as the value of the Pool shares.

**Interest rate risk**

The School District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**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 does not have a concentration of credit risk policy. Concentration of credit risk 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, 2022, \$2,330,007 of the School’s bank balance of \$2,830,007 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

North Muskegon Public Schools  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2022

#### **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.

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

	<b>Amortized Cost</b>
MILAF External Investment pool - CMC	\$ 585,023
MILAF External Investment pool - MAX Class	<u>40,263</u>
	<b><u>\$ 625,286</u></b>

**North Muskegon Public Schools**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2022

**NOTE E—CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2022 was as follows:

	<b>Balance July 1, 2021</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2022</b>
<b>Capital assets, not being depreciated:</b>				
Land	\$ 420,000	\$ -	\$ -	\$ 420,000
<b>Capital assets, being depreciated:</b>				
Buildings and improvements	19,897,607	174,090	-	20,071,697
Furniture and equipment	2,146,948	-	343,792	1,803,156
Vehicles	254,013	-	-	254,013
Total capital assets, being depreciated	22,298,568	174,090	343,792	22,128,866
<b>Less accumulated depreciation:</b>				
Buildings and improvements	8,436,027	405,875	-	8,841,902
Furniture and equipment	1,644,897	73,535	343,792	1,374,640
Vehicles	247,093	2,477	-	249,570
Total accumulated depreciation	10,328,017	481,887	343,792	10,466,112
Total capital assets, being depreciated, net	11,970,551	(307,797)	-	11,662,754
Capital assets, net	<b>\$ 12,390,551</b>	<b>\$ (307,797)</b>	<b>\$ -</b>	<b>\$ 12,082,754</b>

**Depreciation**

Depreciation expense has been charged to functions as follows:

Instruction	\$ 349,251
Support services	111,539
Athletics	19,414
Food services	1,683
	<b><u>\$ 481,887</u></b>

**NOTE F—INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

The composition of interfund balances as of June 30, 2022 is as follows:

**Due to/from other funds:**

<b>Receivable fund</b>	<b>Payable fund</b>	<b>Amount</b>
Debt Service Fund	General Fund	\$ 46,082
Other governmental funds	General Fund	17,431
Other governmental funds	Debt Service Fund	7,022
		<b><u>\$ 70,535</u></b>

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 Food Service Fund transferred \$30,253 to the General Fund for indirect costs.

North Muskegon Public Schools  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2022

**NOTE G—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, 2022 follows:

	<b>Balance</b>			<b>Balance</b>
	<b>July 1, 2021</b>	<b>Additions</b>	<b>Reductions</b>	<b>June 30, 2022</b>
State aid anticipation note				
2020/2021 .25% due August 2021	\$ 1,200,000	\$ -	\$ 1,200,000	\$ -
2021/2022 .12% due August 2022	- -	750,000	- -	750,000
	<b>\$ 1,200,000</b>	<b>\$ 750,000</b>	<b>\$ 1,200,000</b>	<b>\$ 750,000</b>

**NOTE H—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 borrowings and direct placements include the Installment Purchase obligations and School Loan Revolving Fund.

The following is a summary of long-term obligations activity for the School District for the year ended June 30, 2022:

	<b>Balance</b>			<b>Balance</b>		<b>Due within</b>
	<b>July 1, 2021</b>	<b>Additions</b>	<b>Reductions</b>	<b>June 30, 2022</b>		<b>one year</b>
<b>Governmental activities</b>						
Bonds	\$ 13,915,000	\$ -	\$ 1,025,000	\$ 12,890,000	\$ 1,080,000	
Premiums	799,897	- -	66,538	733,359	66,538	
Discounts	(17,905)	- -	(1,557)	(16,348)	(1,557)	
Notes from direct borrowings and direct placements	3,236,549	78,725	14,286	3,300,988	14,660	
Compensated absences	63,265	9,653	15,000	57,918	4,000	
Early retirement incentives	45,583	30,000	2,000	73,583	32,000	
	<b>\$ 18,042,389</b>	<b>\$ 118,378</b>	<b>\$ 1,121,267</b>	<b>\$ 17,039,500</b>	<b>\$ 1,195,641</b>	

In the previous schedule, the additions from direct borrowings and direct placements represent \$78,725 of accrued interest on the School Bond Loan Fund.

The governmental activities refunding 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 primarily comprised of notes payable to the State of Michigan under the School Bond Loan Fund and 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.

North Muskegon Public Schools  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2022

**NOTE H—LONG-TERM OBLIGATIONS—Continued**

General obligation bonds and notes from direct borrowings and direct placements consist of the following:

	<b>Interest Rate</b>	<b>Date of Maturity</b>	<b>Balance</b>
<b>General obligation bonds</b>			
2016 Refunding General Obligation Bond	4%	May 2033	\$ 6,785,000
2019 Refunding General Obligation Bond	1.94-2.63%	May 2030	5,140,000
2020 Energy Conservation Improvement Bonds	2-4%	May 2036	<u>965,000</u>
			<b><u>\$ 12,890,000</u></b>
<b>Notes from direct borrowings and direct placements</b>			
School Loan Revolving Fund	3%	May 2039	\$ 3,172,370
Installment Purchase Agreement	2.62%	May 2029	<u>128,618</u>
			<b><u>\$ 3,300,988</u></b>

The annual requirements of principal and interest to amortize the bonds and notes from direct borrowings and direct placements outstanding as of June 30, 2022 follow:

<b>Year ending June 30,</b>	<b>Governmental activities</b>			
	<b>Bonds</b>		<b>Notes from Direct Borrowings and Direct Placements</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2023	\$ 1,080,000	\$ 418,606	\$ 14,660	\$ 3,421
2024	1,145,000	383,579	15,044	3,031
2025	1,210,000	347,640	15,438	2,631
2026	1,275,000	309,590	15,843	2,220
2027	1,345,000	309,590	16,258	1,799
2028-2032	5,870,000	900,905	51,375	2,745
2031-2035	965,000	105,480	3,172,370	-
	<b>\$ 12,890,000</b>	<b>\$ 2,775,390</b>	<b>\$ 3,300,988</b>	<b>\$ 15,847</b>

**NOTE I—PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

**Plan Description**

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

The System's pension plan was established by the State to provide retirement, survivor and disability benefits to public school employees. In addition, the System's health plan provides all retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

North Muskegon Public Schools  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2022

**NOTE I—PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB)—Continued**

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

The System's financial statements are available on the ORS website at Michigan.gov/ORSSchools.

**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 if applicable. 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.

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.

North Muskegon Public Schools  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2022

**NOTE I—PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB)—Continued**

**Benefits Provided – Pension—Continued**

***Pension Reform 2012—Continued***

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.

***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.

North Muskegon Public Schools  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2022

**NOTE I—PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB)—Continued**

**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, 2020 valuation will be amortized over an 18-year period beginning October 1, 2020, and ending September 30, 2038.

The schedules below summarize the contribution rates in effect for the System's fiscal year ended September 30, 2021.

North Muskegon Public Schools  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2022

**NOTE I—PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB)—Continued**

<b>Pension Contribution Rates</b>		
<b>Benefit Structure</b>	<b>Member</b>	<b>Employer</b>
Basic	0.0 - 4.0 %	19.78 %
Member Investment Plan	3.0 - 7.0	19.78
Pension Plus Plan	3.0 - 6.4	16.82
Pension Plus 2 Plan	6.2	19.59
Defined Contribution	0.0	13.39

  

<b>OPEB Contribution Rates</b>		
<b>Benefit Structure</b>	<b>Member</b>	<b>Employer</b>
Premium Subsidy	3.0 %	8.43 %
Personal Healthcare Fund	0.0	7.57

The School District's pension contributions for the year ended June 30, 2022 were equal to the required contribution total. Pension contributions were approximately \$1,978,500, including Section 147c contributions.

For the year ended June 30, 2022, the School District and employee defined contribution plan contributions were approximately \$54,200 and \$109,100, respectively.

The School District's OPEB contributions for the year ended June 30, 2022 were equal to the required contribution total. OPEB contributions were approximately \$434,900.

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

At June 30, 2022, the School District reported a liability of \$13,912,338 for its proportionate share of the MPSERS net pension liability and a liability of \$898,739 for its proportionate share of the MPSERS net OPEB liability.

The net pension and OPEB liabilities were measured as of September 30, 2021, 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, 2020. 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 from all applicable employers during the measurement period. At September 30, 2021 and 2020, the School District's pension proportion was 0.05876 and 0.05812 percent, respectfully. At September 30, 2021 and 2020, the School District's OPEB proportion was 0.05888 and 0.05791 percent, respectively.

For the year ended June 30, 2022, the School District recognized pension expense (benefit) of \$1,650,187 and OPEB expense (benefit) of \$(480,126).

North Muskegon Public Schools  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2022

**NOTE I—PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB)—Continued**

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

At June 30, 2022, the School District reported deferred outflows of resources and deferred inflows of resources from the following sources:

	Pension		OPEB	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 215,508	\$ 81,927	\$ -	\$ 2,565,387
Changes of assumptions	876,984	-	751,301	112,423
Net difference between projected and actual earnings on plan investments	-	4,472,772	-	677,396
Changes in proportion and differences between School District contributions and proportionate share of contributions	298,326	25,976	123,052	15,926
State of Michigan Section 147c UAAL rate stabilization state aid payments subsequent to the measurement date	-	916,947	-	-
School District contributions subsequent to the measurement date	1,884,203	-	394,314	-
<b>Total</b>	<b>\$3,275,021</b>	<b>\$5,497,622</b>	<b>\$1,268,667</b>	<b>\$3,371,132</b>

North Muskegon Public Schools  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2022

**NOTE I—PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB)—Continued**

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

The School District contributions subsequent to the measurement date reported as deferred outflows of resources related to pensions and OPEB resulting from employer contributions subsequent to the measurement date, 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, 2023. 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, 2023. 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:

<b>Year ending</b>		
<b>June 30,</b>	<b>Pension</b>	<b>OPEB</b>
2023	\$ (292,044)	\$ (655,281)
2024	(685,770)	(595,147)
2025	(1,021,365)	(542,021)
2026	(1,190,678)	(510,928)
2027	-	(170,975)
Thereafter	-	(22,427)
	<b>\$ (3,189,857)</b>	<b>\$ (2,496,779)</b>

**Actuarial Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used to 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.

***Summary of Actuarial Assumptions***

Valuation date	September 30, 2020
Actuarial cost method	Entry age, Normal
Wage Inflation Rate –	2.75%
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%, including wage inflation at 2.75%
Cost-of-living pension adjustments –	3% annual non-compounded for MIP members
Healthcare cost trend rate –	Pre-65: 7.75% Year 1 graded to 3.5% Year 15; 3% Year 120  Post-65: 5.25% Year 1 graded to 3.5% Year 15; 3% Year 120

North Muskegon Public Schools  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2022

**NOTE I—PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB)—Continued**

**Actuarial Assumptions—Continued**

***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.

***Opt-Out Assumption***

21 percent of eligible participants hired before July 1, 2008 and 30 percent of those hired after June 30, 2008 are assumed to opt out of the retiree health plan.

***Survivor Coverage***

80 percent of male retirees and 67 percent of female retirees are assumed to have coverages continuing after the retiree's death.

***Coverage Election at Retirement***

75 percent of male and 60 percent of female future retirees are assumed to elect coverage of one or more dependents.

***Experience Study***

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, 2018 valuation. The total pension and OPEB liabilities as of September 30, 2021 are based on the results of an actual valuation date of September 30, 2020, and rolled forward using generally accepted actuarial procedures, including the experience study.

***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.

North Muskegon Public Schools  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2022

**NOTE I—PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB)—Continued**

**Actuarial Assumptions—Continued**

***Long-Term Expected Rate of Return on Investments—Continued***

Best estimates of arithmetic real rates of return for each major asset class included in the plan's target asset allocation as of September 30, 2021 are summarized in the following table:

<b>Investment Category</b>	<b>Target Allocation</b>	<b>Long-term Expected Real Rate of Return*</b>
Domestic Equity Pools	25.0 %	5.4 %
Private Equity Pools	16.0	9.1
International Equity Pools	15.0	7.5
Fixed Income Pools	10.5	(0.7)
Real Estate and Infrastructure Pools	10.0	5.4
Absolute Return Pools	9.0	2.6
Real Return/Opportunistic Pools	12.5	6.1
Short Term Investment Pools	2.0	(1.3)
<b>Total</b>	<b><u>100.0</u> %</b>	

\*Long term rates of return are net of administrative expenses and 2% inflation.

***Rate of return***

For the fiscal year ended September 30, 2021, the annual money-weighted rate of return on plan investments, net of plan investment expense, was 27.3 percent and 27.1 percent on pension plan and OPEB plan investments, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

***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, hybrid plans provided through non-university employers only), and 6.95 percent, respectively. The discount rates used to measure the total pension and OPEB liability as of June 30, 2021 were 6.8 percent (6.8 percent for the Pension Plus plan and 6 percent for the Pension Plus 2 plan, hybrid plans provided through non-university employers only), and 6.95 percent, respectively. These discount rates for the current year were based on the long-term expected rates of return on pension plan and OPEB investments of 6.8 percent (6.8 percent for the Pension Plus plan, 6 percent for the Pension Plus 2 plan), and 6.95 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 these 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.

North Muskegon Public Schools  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2022

**NOTE I—PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB)—Continued**

**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:

<b>1% Lower*</b> <b>(5.8% / 5.8% / 5%)*</b>	<b>Discount Rate*</b> <b>(6.8% / 6.8% / 6%)*</b>	<b>1% Higher*</b> <b>(7.8% / 7.8% / 7%)*</b>
\$ 19,890,870	\$ 13,912,338	\$ 8,955,742

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

**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:

<b>1% Lower (5.95%)</b>	<b>Discount Rate (6.95%)</b>	<b>1% Higher (7.95%)</b>
\$ 1,670,019	\$ 898,739	\$ 244,198

**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:

<b>1% Lower</b>	<b>Current Healthcare Cost Trend Rate</b>	<b>1% Higher</b>
\$ 218,746	\$ 898,739	\$ 1,663,813

**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 Annual Comprehensive Financial Report available at [www.michigan.gov/orsschools](http://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.

North Muskegon Public Schools  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2022

## **NOTE J—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.

## **NOTE K—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, 2022 or any of the prior three years.

## **NOTE L—SUBSEQUENT EVENT**

In August 2022, the School District received the proceeds of a \$950,000 State of Michigan (State) school aid anticipation notes payable. The note payable is not subject to redemption prior to its maturity in August 2023 and bears interest at the rate of 1.99 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.

## **NOTE M—UPCOMING ACCOUNTING PRONOUNCEMENT**

GASB Statement 96—*Subscription-Based Information Technology Arrangements* was issued by the GASB in May 2020 and will be effective for the School District's 2023 fiscal year. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended.

**REQUIRED SUPPLEMENTARY INFORMATION**

North Muskegon Public Schools  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**  
 General Fund  
 For the year ended June 30, 2022

	<b>Budgeted amounts</b>			<b>Variance with final budget</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>REVENUES</b>				
Local sources	\$ 1,055,626	\$ 1,166,174	\$ 1,194,911	\$ 28,737
State sources	9,636,574	9,789,536	9,817,235	27,699
Federal sources	250,915	440,042	433,670	(6,372)
Incoming transfers and other transactions	30,000	30,000	30,253	253
Total revenues	10,973,115	11,425,752	11,476,069	50,317
<b>EXPENDITURES</b>				
Current				
Instruction				
Basic programs	5,786,023	6,169,181	6,135,353	33,828
Added needs	1,379,576	1,369,302	1,334,999	34,303
Adult and continuing education	20,000	43,500	50,937	(7,437)
Support services				
Pupil	837,072	852,934	846,465	6,469
Instructional staff	357,587	351,563	342,370	9,193
General administration	460,404	470,813	461,360	9,453
School administration	466,531	493,782	506,296	(12,514)
Business	173,980	172,991	170,308	2,683
Operations and maintenance	725,075	829,718	799,066	30,652
Pupil transportation services	113,191	184,481	200,640	(16,159)
Central	191,582	189,844	192,407	(2,563)
Athletics	346,266	353,603	351,209	2,394
Other	5,000	5,000	8,230	(3,230)
Community services	35,000	40,000	39,767	233
Debt service	70,943	76,000	73,460	2,540
Total expenditures	10,968,230	11,602,712	11,512,867	89,845
Excess (deficiency) of revenues over (under) expenditures	<b>\$ 4,885</b>	<b>\$ (176,960)</b>	<b>(36,798)</b>	<b>\$ 140,162</b>
Fund balance at beginning of year			1,380,576	
Fund balance at end of year			<b>\$ 1,343,778</b>	

**North Muskegon Public Schools**  
**REQUIRED SUPPLEMENTARY INFORMATION**

**Schedule of the School District's Proportionate Share of the Net Pension Liability**

Michigan Public School Employee Retirement System

Last 10 Fiscal Years (Amounts were determined as of 9/30 of each fiscal year)

	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
School District's proportion of the net pension liability (%)	0.05876%	0.05812%	0.05738%	0.05695%	0.05722%	0.05693%	0.05414%	0.05280%	-	-
School District's proportionate share of the net pension liability	\$ 13,912,338	\$ 19,966,477	\$ 19,002,602	\$ 17,120,520	\$ 14,827,842	\$ 14,203,988	\$ 13,224,254	\$ 11,629,192	\$ -	\$ -
School District's covered payroll	\$ 5,189,476	\$ 5,059,372	\$ 4,927,110	\$ 4,806,505	\$ 4,744,579	\$ 4,740,389	\$ 4,508,615	\$ 4,494,154	\$ -	\$ -
School District's proportionate share of the net pension liability as a percentage of its covered payroll	268.09%	394.64%	385.67%	356.19%	312.52%	299.64%	293.31%	258.76%	-	-
Plan fiduciary net position as a percentage of the total pension liability	72.60%	59.72%	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.

**North Muskegon Public Schools**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**Schedule of the School District's Pension Contributions**  
Michigan Public School Employee Retirement System  
Last 10 Fiscal Years (Amounts were determined as of 6/30 of each fiscal year)

	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Statutorily required contributions	\$ 1,061,600	\$ 998,304	\$ 974,785	\$ 871,034	\$ 852,040	\$ 894,450	\$ 1,044,474	\$ 1,104,841	\$ -	\$ -
Contributions in relation to the statutorily required contributions	1,061,600	998,304	974,785	871,034	852,040	894,450	1,044,474	1,104,841	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School District's covered payroll	\$ 5,428,152	\$ 5,099,588	\$ 5,055,787	\$ 4,911,425	\$ 4,771,844	\$ 4,739,013	\$ 4,658,940	\$ 4,504,273	\$ -	\$ -
Contributions as a percentage of covered payroll	19.56%	19.58%	19.28%	17.73%	17.86%	18.87%	22.42%	24.53%	-	-

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.

**North Muskegon Public Schools**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**Schedule of the School District's Proportionate Share of the Net OPEB Liability**  
Michigan Public School Employee Retirement System  
Last 10 Fiscal Years (Amounts were determined as of 9/30 of each fiscal year)

	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
School District's proportion of the net OPEB liability (%)	0.05888%	0.05791%	0.05749%	0.05674%	0.05724%	-	-	-	-	-
School District's proportionate share of the net OPEB liability	\$ 898,739	\$ 3,102,294	\$ 4,126,823	\$ 4,510,448	\$ 5,069,213	\$ -	\$ -	\$ -	\$ -	\$ -
School District's covered payroll	\$ 5,189,476	\$ 5,059,372	\$ 4,927,110	\$ 4,806,505	\$ 4,744,579	\$ -	\$ -	\$ -	\$ -	\$ -
School District's proportionate share of the net OPEB liability as a percentage of its covered payroll	17.32%	61.32%	83.76%	93.84%	106.84%	-	-	-	-	-
Plan fiduciary net position as a percentage of the total OPEB liability	87.33%	59.44%	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.

**North Muskegon Public Schools**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**Schedule of the School District's OPEB Contributions**  
**Michigan Public School Employee Retirement System**  
Last 10 Fiscal Years (Amounts were determined as of 9/30 of each fiscal year)

	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Statutorily required contributions	\$ 434,893	\$ 428,821	\$ 417,310	\$ 399,365	\$ 355,351	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the statutorily required contributions	434,893	428,821	417,310	399,365	355,351	-	-	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School District's covered payroll	\$ 5,428,152	\$ 5,099,588	\$ 5,055,787	\$ 4,911,425	\$ 4,771,844	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered payroll	8.01%	8.41%	8.25%	8.13%	7.45%	-	-	-	-	-

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.

North Muskegon Public Schools  
**STATISTICAL DATA**  
June 30, 2022

Pension Information

**Changes of benefit terms:** There were no changes of benefit terms in 2021.

**Changes of assumptions:** There were no changes of assumptions in 2021.

OPEB Information

**Benefit changes** – there were no changes of benefit terms in 2021.

**Changes of assumptions** – the healthcare cost trend rate for those under the age of 65 increased from 7 percent to 7.75 percent in 2021.