

North Muskegon Public Schools

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

Year ended June 30, 2017



North Muskegon Public Schools

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**INDEPENDENT AUDITOR'S REPORT**

October 12, 2017

Board of Education  
North Muskegon Public Schools  
North Muskegon, Michigan

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of North Muskegon Public Schools (the School District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

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

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

***Auditor's Responsibility***

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

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

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

Board of Education  
North Muskegon Public Schools  
October 12, 2017  
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**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of North Muskegon Public Schools as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, budgetary comparison information, and pension information on pages 3 through 9 and 38 through 41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise of North Muskegon Public Schools’ basic financial statements. The statistical section, is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The statistical data has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2017, on our consideration of 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 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.



Muskegon, Michigan

# 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, 2017. 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 fund financial statements look at the School District's operations in more detail than the district-wide financial statements by providing information about the School District's larger individual funds. The remaining statement, the statement of fiduciary assets and liabilities, presents financial information about activities for which the School District acts solely as an agent for the benefit of students. 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 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, 2017 and 2016:

	2017	2016
<b>Statement of Net Position</b>		
	<u>2017</u>	<u>2016</u>
Assets		
Current and Other Assets	\$ 2,267,664	\$ 3,786,516
Capital Assets	<u>12,254,315</u>	<u>12,691,335</u>
Total Assets	14,521,979	16,477,851
Deferred outflows of resources	<u>2,569,280</u>	<u>1,831,921</u>
Total assets and deferred outflow of resources	17,091,259	18,309,772
Liabilities		
Current liabilities	3,772,633	5,029,031
Long-term liabilities	<u>30,957,871</u>	<u>30,843,092</u>
Total liabilities	34,730,504	35,872,123
Deferred inflows of resources	<u>515,926</u>	<u>403,558</u>
Total liabilities and deferred inflows of resources	<u>35,246,430</u>	<u>36,275,681</u>
Net Position		
Net investment in capital assets	1,820,779	(379,116)
Restricted for debt service	-	1,333,672
Restricted for technology	5,753	4,284
Restricted for capital outlay/maintenance	8,609	-
Unrestricted	<u>(19,990,312)</u>	<u>(18,924,749)</u>
Total Net Position	<u>\$ (18,155,171)</u>	<u>\$ (17,965,909)</u>

# 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 the payoff of the Technology Bond with cash from the sinking fund.
- Capital assets decreased due to normal depreciation exceeding current year capital asset additions.
- Deferred outflow of resources increase is related to pension costs.
- Current liabilities decreased due to paying off the technology bond sinking fund.
- Noncurrent liabilities decreased due to normal scheduled debt payments.
- Deferred inflows of resources increased due to an increase in pension 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 \$(18,155,171) at June 30, 2017. Net investment in capital assets of \$1,820,779 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 current principal payments, including repayment of the technology bond, and capital asset additions exceeding current year depreciation. Restricted for debt service decreased due to the technology bond sinking fund being paid in full. The remaining net position of \$(19,990,312) was unrestricted. The unrestricted deficit increased primarily due to current year borrowings from the School Bond loan fund to cover current year required debt payments.

The \$(19,990,312) 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 2017 and 2016. Charges for services decreased due to the cost of the district sharing a psychologist with another local District being reduced. Operating grants revenues increased due to the allocation of section 147c payments for pension. Property tax revenue increased due to the first year of the sinking fund being collected. Miscellaneous revenue increased due to additional rental income and sale of assets income received. Instruction increased due to special ed costs, dual enrollment, and 147c retirement increasing. Support services increased due to business services increasing, increased personnel cost, 147c retirement increasing and an increase in utility costs. Food services increased due to personnel costs and repairs to equipment. Athletics increased due to an increase in purchased supplies. Interest on long-term debt decreased due to refunding and paying off the 2010 technology debt.

# North Muskegon Public Schools

## Management's Discussion and Analysis

### Statement of Activities

	<u>2017</u>	<u>2016</u>
Program Revenues		
Charges for Services	\$ 315,827	\$ 324,979
Operating Grants	1,497,339	943,299
General Revenues		
Property taxes	1,925,770	1,723,493
Grants and Contributions Not Restricted to Specific Programs	7,348,489	7,324,959
Investment Earnings	5,406	5,831
Miscellaneous	<u>36,380</u>	<u>29,963</u>
Total Program Revenues and General Revenues	11,129,211	10,352,524
Expenses		
Instruction	6,982,896	6,580,432
Support Services	3,121,162	2,834,562
Community Services	26,164	23,432
Food Services	396,146	375,044
Athletics	279,021	233,399
Interest on long-term debt	<u>513,084</u>	<u>957,340</u>
Total Expenses	<u>11,318,473</u>	<u>11,004,209</u>
Change in Net Position	(189,262)	(651,685)
Net Position at Beginning of Year	<u>(17,965,909)</u>	<u>(17,314,224)</u>
Net Position at End of Year	<u>\$ (18,155,171)</u>	<u>\$ (17,965,909)</u>

### 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 \$(121,587) to \$925,178. The principal reasons were:

- Increase in salaries/benefits, personnel costs
- Increase in health benefits
- Increase in dual enrollment/virtual costs
- Increase in business service costs
- Increase in electric costs
- Increase in special ed consortium costs



# 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 2016/2017 General Fund's original budget were:

#### Revenues:

- Local sources decreased due to a decrease in revenue from property taxes and athletic ticket sales
- State sources were increased for additional MPSERS funds received, additional Special Ed funds received, and additional TRIG revenue.

#### Expenditures:

- Basic program costs increased due to an increase in MPSERS costs, dual enrollment costs and subcontracted teaching costs.
- Added needs costs increased due to added para-pro staff and an increase to central special ed services.
- Pupil support service was increased due to an increase in counseling and psychology salary/benefits.
- Instructional staff costs decreased due to reduced unemployment charges and professional development costs.
- General administration was increased due to unexpected personnel cost.
- School administration increased as a result of an early retirement.
- Business support services was increased to cover additional tax abatements.
- Operations & maintenance was decreased for less furniture and equipment needing replacement.
- Central administration was increased for technology purchases through the TRIG grant.
- Athletics was increased for supply costs.

#### Final budget to Actual variances

#### Revenues:

- Local Sources was under budget due to less than expected admissions and miscellaneous revenue.
- Incoming transfers was over budget due to additional funds received from other public schools.

#### Expenditures:

- Added needs was over budget due to higher MAISD centralized special education costs.
- Operations and maintenance was under budget due to purchased services and furniture replacement being less than estimated.
- Transportation was under budget as a result of less fuel consumption and reduced transportation by another public school costs.

# North Muskegon Public Schools

## Management's Discussion and Analysis

### Capital Asset and Debt Administration

#### **Capital Assets**

At June 30, 2017, the District had \$12,254,315 (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 \$437,020 from last year. This year's decrease was the result of the normal depreciation exceeding current year additions. The largest purchase this year was for a portion of the roof being reroofed. We present more detailed information about our capital assets in the notes to the financial statements.

	<u>2017</u>	<u>2016</u>
Buildings and Land	\$ 18,553,403	\$ 18,359,653
Furniture and Equipment	2,780,339	2,812,769
Vehicles	<u>254,013</u>	<u>254,013</u>
Total Capital Assets	21,587,755	21,426,435
Less Accumulated Depreciation	<u>9,333,440</u>	<u>8,735,100</u>
Total Capital Assets, Net	<u>\$ 12,254,315</u>	<u>\$ 12,691,335</u>

#### **Long-term Debt**

At June 30, 2017, North Muskegon School District had \$19,216,883 in outstanding long-term debt. During the year, the outstanding bond balance decreased due to prior year refunding of debt and paying off the 2010 technology bond sinking fund. The District borrowed additional funds from state aid revolving loan fund to assist with the bond payments noted below.

	<u>2017</u>	<u>2016</u>
Bonds	\$ 17,033,535	\$ 20,800,451
Other obligations	2,023,866	279,358
Compensated absences	76,918	88,012
Early retirement obligations	<u>82,564</u>	<u>168,017</u>
Total long-term debt	<u>\$ 19,216,883</u>	<u>\$ 21,335,838</u>

# North Muskegon Public Schools

## Management's Discussion and Analysis

### Economic Factors and Next Year's Budget

Our appointed officials and administration considered many factors when setting the District's 2018 fiscal year budget. One of the most important factors affecting the budget is our student count. The State of Michigan foundation allowance is determined by multiplying the blended student count by the per pupil foundation allowance. The blended count for the 2018 fiscal year is 10 percent and 90 percent of the February 2017 and September 2017 student counts, respectively. The original 2018 budget was adopted in June 2017, anticipating a flat student enrollment. The budget adopted for the 2017-2018 District year is projecting zero use of fund balance.

The District obtained a state aid anticipation notes in the amount of \$975,000 for the 2017-2018 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, and (231) 719-4100.

North Muskegon Public Schools  
**STATEMENT OF NET POSITION**  
June 30, 2017

	<b>Governmental activities</b>
<b>ASSETS</b>	
Current assets	
Cash and cash equivalents	\$ 511,629
Receivables	1,183
Due from other governmental units	1,680,080
Inventories	4,394
Prepaid items	70,378
Total current assets	2,267,664
Noncurrent assets	
Capital assets, net	
Nondepreciable	420,000
Depreciable	11,834,315
Total noncurrent assets	12,254,315
Total assets	14,521,979
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred charges on refunding	3,841
Related to pensions	2,565,439
Total deferred outflows of resources	2,569,280
Total assets and deferred outflows of resources	17,091,259
<b>LIABILITIES</b>	
Current liabilities	
State aid loan	121,000
Accounts payable and accrued liabilities	1,021,968
Due to other governmental units	154,816
Unearned revenue	11,849
Bonds and other obligations, due within one year	2,463,000
Total current liabilities	3,772,633
Noncurrent liabilities	
Bonds and other obligations, less amounts due within one year	16,753,883
Net pension liability	14,203,988
Total noncurrent liabilities	30,957,871
Total liabilities	34,730,504
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Related to pensions	515,926
Total liabilities and deferred inflows of resources	35,246,430
<b>NET POSITION</b>	
Net investment in capital assets	1,820,779
Restricted	
Technology	5,753
Capital outlay/maintenance	8,609
Unrestricted	(19,990,312)
Total net position	\$ (18,155,171)

The accompanying notes are an integral part of this statement.

North Muskegon Public Schools  
**STATEMENT OF ACTIVITIES**  
For the year ended June 30, 2017

<i>Functions/Programs</i>	Program Revenue			<b>Net (Expense) Revenue and Changes in Net Position</b>
<i>Functions/Programs</i>	Expenses	Charges for services	Operating grants and contributions	Governmental activities
Governmental activities				
Instruction	\$ 6,982,896	\$ -	\$ 882,244	\$ (6,100,652)
Support services	3,121,162	23,324	406,257	(2,691,581)
Community services	26,164	21,420	350	(4,394)
Food services	396,146	201,473	192,574	(2,099)
Athletics	279,021	69,610	15,914	(193,497)
Interest on long-term debt	513,084	-	-	(513,084)
Total governmental activities	<b>\$ 11,318,473</b>	<b>\$ 315,827</b>	<b>\$ 1,497,339</b>	(9,505,307)
General revenues				
Property taxes				1,925,770
Grants and contributions not restricted to specific programs				7,348,489
Investment earnings				5,406
Miscellaneous				36,380
Total general revenues				9,316,045
Change in net position				(189,262)
Net position at beginning of year				(17,965,909)
Net position at end of year				<b>\$ (18,155,171)</b>

The accompanying notes are an integral part of this statement.

North Muskegon Public Schools  
**BALANCE SHEET**  
 Governmental Funds  
 June 30, 2017

	<u>General Fund</u>	<u>2010 Technology Debt Fund</u>	<u>Debt Service Fund</u>	<u>Other governmental funds</u>	<u>Total governmental funds</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 372,444	\$ -	\$ 59,217	\$ 79,968	\$ 511,629
Receivables	920	-	-	263	1,183
Due from other governmental units	1,674,936	-	-	5,144	1,680,080
Due from other funds	32	-	-	-	32
Inventories	-	-	-	4,394	4,394
Prepaid items	69,844	-	-	534	70,378
Total assets	<b>\$ 2,118,176</b>	<b>\$ -</b>	<b>\$ 59,217</b>	<b>\$ 90,303</b>	<b>\$ 2,267,696</b>
<b>LIABILITIES</b>					
State aid loan	\$ 121,000	\$ -	\$ -	\$ -	\$ 121,000
Accounts payable	59,481	-	-	-	59,481
Accrued liabilities	852,626	-	-	861	853,487
Due to other governmental units	154,816	-	-	-	154,816
Due to other funds	-	-	32	-	32
Unearned revenue	5,075	-	-	6,774	11,849
Total liabilities	1,192,998	-	32	7,635	1,200,665
<b>FUND BALANCES</b>					
Nonspendable					
Inventories	-	-	-	4,394	4,394
Prepaid items	69,844	-	-	534	70,378
Restricted					
Debt service	-	-	59,185	-	59,185
Food service	-	-	-	63,378	63,378
Technology	-	-	-	5,753	5,753
Capital outlay/maintenance	-	-	-	8,609	8,609
Unassigned	855,334	-	-	-	855,334
Total fund balances	925,178	-	59,185	82,668	1,067,031
Total liabilities and fund balances	<b>\$ 2,118,176</b>	<b>\$ -</b>	<b>\$ 59,217</b>	<b>\$ 90,303</b>	<b>\$ 2,267,696</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, 2017

Total fund balance—governmental funds	\$	1,067,031
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	\$ 21,587,755	
Accumulated depreciation	<u>(9,333,440)</u>	12,254,315
Deferred charges on refunding are not capitalized and amortized in the governmental funds.		
Deferred charges on refunding	100,853	
Accumulated amortization	<u>(97,012)</u>	3,841
Deferred inflows and outflows of resources related to pensions are not reported in the governmental funds.		
Deferred outflows of resources - related to pensions	2,565,439	
Deferred inflows of resources - related to pensions	<u>(515,926)</u>	2,049,513
Accrued interest in governmental activities is not reported in the governmental funds.		
		(109,000)
Long-term obligations in governmental activities are not due and payable in the current period and are not reported in the governmental funds.		
		<u>(33,420,871)</u>
Net position of governmental activities	<b>\$</b>	<b><u>(18,155,171)</u></b>

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, 2017

	<u>General Fund</u>	<u>2010 Technology Debt Fund</u>	<u>Debt Service Fund</u>	<u>Other governmental funds</u>	<u>Total governmental funds</u>
<b>REVENUES</b>					
Local sources					
Property taxes	\$ 585,967	\$ 228,045	\$ 884,648	\$ 213,438	\$ 1,912,098
Investment earnings	633	4,370	403	-	5,406
Fees and charges	91,030	-	-	201,473	292,503
Other	279,871	-	-	170,892	450,763
Total local sources	957,501	232,415	885,051	585,803	2,660,770
State sources	8,222,892	-	13,672	29,766	8,266,330
Federal sources	125,187	-	-	163,682	288,869
Total revenues	9,305,580	232,415	898,723	779,251	11,215,969
<b>EXPENDITURES</b>					
Current					
Instruction	6,367,053	-	-	-	6,367,053
Supporting services	3,049,966	-	-	167,869	3,217,835
Community services	26,164	-	-	-	26,164
Food services	-	-	-	398,933	398,933
Debt service					
Principal repayment	-	1,545,000	2,105,000	-	3,650,000
Interest and other charges	-	31,050	566,527	-	597,577
Capital outlay	2,984	-	-	204,829	207,813
Total expenditures	9,446,167	1,576,050	2,671,527	771,631	14,465,375
Excess (deficiency) of revenues over (under) expenditures	(140,587)	(1,343,635)	(1,772,804)	7,620	(3,249,406)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	19,000	-	-	-	19,000
Transfers out	-	-	-	(19,000)	(19,000)
Loan proceeds	-	-	1,721,952	-	1,721,952
Total other financing sources (uses)	19,000	-	1,721,952	(19,000)	1,721,952
Net change in fund balances	(121,587)	(1,343,635)	(50,852)	(11,380)	(1,527,454)
Fund balances at beginning of year	1,046,765	1,343,635	110,037	94,048	2,594,485
Fund balances at end of year	<b>\$ 925,178</b>	<b>\$ -</b>	<b>\$ 59,185</b>	<b>\$ 82,668</b>	<b>\$ 1,067,031</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, 2017

Net change in fund balances—total governmental funds \$ (1,527,454)

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	\$ (642,096)	
Capital outlay	<u>205,076</u>	(437,020)

Governmental funds report outflows for deferred charges on refunding as expenditures; in the Statement of Activities these costs are amortized over the life of the bond. (20,867)

Debt proceeds are other financing sources in the governmental funds, but the proceeds increase long-term debt in the Statement of Net Position. (1,744,508)

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. 3,766,916

Interest expense on long-term obligations is recorded in the Statement of Activities when incurred, but is not reported in governmental funds until paid. 11,000

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. 96,547

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. (333,876)

Change in net position of governmental activities \$ (189,262)

The accompanying notes are an integral part of this statement.

North Muskegon Public Schools  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
Fiduciary Funds  
June 30, 2017

	<u>Agency funds</u>
<b>ASSETS</b>	
Cash and cash equivalents	<u>\$ 251,926</u>
 <b>LIABILITIES</b>	
Deposits held for others	<u>\$ 251,926</u>

The accompanying notes are an integral part of this statement.

North Muskegon Public Schools  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2017

**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. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

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

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

The School District reports the following major governmental funds:

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

The 2010 Technology Debt Fund accounts for the resources accumulated and payments made for the 2010 Technology Bonds.

North Muskegon Public Schools  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2017

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

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

The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of the 2003 bonds and related refinancing bonds.

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, technology millage activities, and Sinking fund millage in special revenue funds.

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

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

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

**Measurement Focus and Basis of Accounting**

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

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

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences 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, 2017

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

**Measurement Focus and Basis of Accounting—Continued**

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

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

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

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

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

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

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

***Cash and Investments***

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

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

North Muskegon Public Schools  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2017

**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, 2017

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

***Deferred Outflows/Inflows of Resources***

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and 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 position 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, 2017

**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, 2017

**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, 2017.

North Muskegon Public Schools  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2017

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

**Sinking Fund Compliance**

The Sinking Fund Capital Project Fund records capital project activities funded with 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**

**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, 2017, \$364,828 of the School's bank balance of \$749,303 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, 2017

**NOTE D—CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2017 was as follows:

	<b>Balance July 1, 2016</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2017</b>
<b>Capital assets, not being depreciated:</b>				
Land	\$ 420,000	\$ -	\$ -	\$ 420,000
<b>Capital assets, being depreciated:</b>				
Buildings and improvements	17,939,653	193,750	-	18,133,403
Furniture and equipment	2,812,769	11,326	43,756	2,780,339
Vehicles	254,013	-	-	254,013
Total capital assets, being depreciated	21,006,435	205,076	43,756	21,167,755
<b>Less accumulated depreciation:</b>				
Buildings and improvements	6,489,039	432,653	-	6,921,692
Furniture and equipment	2,048,988	188,148	43,756	2,193,380
Vehicles	197,073	21,295	-	218,368
Total accumulated depreciation	8,735,100	642,096	43,756	9,333,440
Total capital assets, being depreciated, net	12,271,335	(437,020)	-	11,834,315
Capital assets, net	<b>\$ 12,691,335</b>	<b>\$ (437,020)</b>	<b>\$ -</b>	<b>\$ 12,254,315</b>

**Depreciation**

Depreciation expense has been charged to functions as follows:

Instruction	\$ 527,080
Support services	77,000
Athletics	35,899
Food services	2,117
	<b>\$ 642,096</b>

North Muskegon Public Schools  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2017

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

The composition of interfund balances as of June 30, 2017 is as follows:

**Due to/from other funds:**

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General Fund	Other governmental funds	<u>\$ 32</u>

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

**Interfund Transfers**

The Food Service Fund transferred \$19,000 to the General Fund for indirect costs.

**NOTE F—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. The short-term debt activity for the year ended June 30, 2017 follows:

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2017</u>
State aid anticipation note				
2015/2016 0.64-.76% due August 2016	\$ 100,000	\$ -	\$ 100,000	\$ -
2016/2017 0.76-1.00% due August 2017	-	850,000	729,000	121,000
	<u>\$ 100,000</u>	<u>\$ 850,000</u>	<u>\$ 829,000</u>	<u>\$ 121,000</u>

North Muskegon Public Schools  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2017

**NOTE G—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. Other long-term obligations include the School Bond Loan Fund 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, 2017:

	<b>Balance</b> <b>July 1, 2016</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance</b> <b>June 30, 2017</b>	<b>Due within</b> <b>one year</b>
<b>Governmental activities</b>					
Bonds	\$ 19,505,000	\$ -	\$ 3,650,000	\$ 15,855,000	\$ 2,380,000
Premiums	1,321,141	-	118,473	1,202,668	-
Discounts	(25,690)	-	(1,557)	(24,133)	-
Other obligations	279,358	1,744,508	-	2,023,866	-
Compensated absences	88,012	5,028	16,122	76,918	11,000
Early retirement incentives	168,017	25,000	110,453	82,564	72,000
	<b>\$ 21,335,838</b>	<b>\$ 1,774,536</b>	<b>\$ 3,893,491</b>	<b>\$ 19,216,883</b>	<b>\$ 2,463,000</b>

In the previous schedule, the additions for other obligations represent \$115 of accrued interest on the School Bond Loan Fund, \$22,441 of accrued interest and \$1,721,952 of additional draws on the School Loan Revolving Fund.

Long-term obligations consist of the following:

	<b>Interest Rate</b>	<b>Date of</b> <b>Maturity</b>	<b>Balance</b>
General obligation bonds			
2012 Refunding General Obligation Bond	2.00%	May 2018	\$ 490,000
2015A Refunding General Obligation Bond	4.00%	May 2020	1,365,000
2015B Refunding General Obligation Bond	1.65-2.5%	May 2021	6,600,000
2016 Refunding General Obligation Bond	4.00%	May 2033	7,400,000
			<b>\$ 15,855,000</b>
Other obligations			
School Bond Loan Fund	3.13%	May 2039	\$ 3,716
School Loan Revolving Fund	3.13%	May 2039	2,020,150
			<b>\$ 2,023,866</b>

North Muskegon Public Schools  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2017

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

The annual requirements of principal and interest to amortize the bonded debt outstanding as of June 30, 2017 follow:

<b>Year ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2018	\$ 2,380,000	\$ 503,597	\$ 2,883,597
2019	1,945,000	451,730	2,396,730
2020	2,030,000	403,373	2,433,373
2021	2,100,000	349,760	2,449,760
2022	615,000	296,000	911,000
2023-2027	3,075,000	1,111,000	4,186,000
2028-2032	3,090,000	495,400	3,585,400
2033	620,000	24,800	644,800
	<b>\$ 15,855,000</b>	<b>\$ 3,635,660</b>	<b>\$ 19,490,660</b>

**NOTE H—EMPLOYEE BENEFITS**

*Employee Retirement System*

**Plan Description**

The Michigan Public School Employees' Retirement System (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. MPSERS issues a publicly available Comprehensive Annual Financial Report that can be obtained at [www.michigan.gov/mpsers-cafr](http://www.michigan.gov/mpsers-cafr).

**Benefits Provided**

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Depending on the plan option selected (Basic, Member Investment Plan (MIP), Pension Plus), member retirement benefits for DB plan members are determined by final average compensation, years of service, and a pension factor ranging from 1.25 percent to 1.50 percent. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

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

North Muskegon Public Schools  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2017

**NOTE H—EMPLOYEE BENEFITS—Continued**

***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% of salary) and a flexible and transferable defined contribution (DC) tax-deferred investment account that earns an employer match of 50% (up to 1% of salary) on employee contributions. Retirement benefits for Pension Plus members are determined by final average compensation and years of service. Disability and survivor benefits are available to Pension Plus members.

***Pension Reform 2012***

On September 4, 2012, the Governor signed Public Act 300 of 2012 into law. The legislation grants all active members who first became a member before July 1, 2010 and who earned service credit in the 12 months ending September 3, 2012, or were on an approved professional 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% employer match (up to 3% of salary) on employee contributions. New employees are automatically enrolled as members in the Pension Plus plan as of their date of hire. They have 75 days from the last day of their first pay period, as reported to ORS, to elect to opt out of the Pension Plus plan and become a qualified participant in the DC plan; if no election is made they will remain in the Pension Plus plan. If they elect to opt out of the Pension Plus plan, their participation in the DC plan will be retroactive to their date of hire.

Employees in the Pension Plus and DC plans are immediately vested in their own contributions and earnings on those contributions. The employee becomes vested in the employer match contribution at the following rates: 50% after two years of service, 75% after three years of service, and 100% 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.

North Muskegon Public Schools  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2017

**NOTE H—EMPLOYEE BENEFITS—Continued**

***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 and MIP plans are closed to new entrants. The pension Plus plan will close to new entrants beginning with those hired after January 31, 2018. The DC plan is still open to new entrants.

***Contributions***

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, 2016 valuation will be amortized over a 20-year period for the 2016 fiscal year.

The schedule below summarizes pension contribution rates in effect for the System’s fiscal year ended September 30, 2016.

**Pension Contribution Rates**

<u>Benefit Structure</u>	<u>Member</u>	<u>Employer</u>
Basic	0.0 - 4.0 %	18.95-22.60 %
Member Investment Plan	3.0 - 7.0	18.95-22.60
Pension Plus	3.0 - 6.4	17.73
Defined Contribution	0.0	14.56-17.73

The School District’s pension contributions for the year ended June 30, 2017 were equal to the required contribution total. Pension contributions were approximately \$1,340,000, including Section 147c contributions.



North Muskegon Public Schools  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2017

**NOTE H—EMPLOYEE BENEFITS—Continued**

**Contributions—Continued**

For the year ended June 30, 2017, the School District and employee defined contribution plan contributions were approximately \$16,000 and \$28,000, respectively.

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

At June 30, 2017, the School District reported a liability of \$14,203,988 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2015. The School District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required for all applicable employers during the measurement period. At September 30, 2016 and 2015, the School District's proportion was 0.05693 and 0.05414 percent, respectfully.

For the year ended June 30, 2017, the School District recognized pension expense of \$1,554,826.

At June 30, 2017, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 177,019	\$ 33,664
Changes of assumptions	222,068	-
Net difference between projected and actual earnings on pension plan investments	236,070	-
Changes in proportion and differences between School District contributions and proportionate share of contributions	703,281	35,749
State of Michigan Section 147c UAAL rate stabilization state aid payments subsequent to the measurement date	-	446,513
School District contributions subsequent to the measurement date	1,227,001	-
<b>Total</b>	<u>\$ 2,565,439</u>	<u>\$ 515,926</u>

North Muskegon Public Schools  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2017

**NOTE H—EMPLOYEE BENEFITS—Continued**

The School District contributions subsequent to the measurement date of \$1,227,001, reported as deferred outflows of resources related to pensions above, will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. The State of Michigan Section 147c UAAL rate stabilization state aid payments subsequent to the measurement date of \$446,513 reported as deferred inflows of resources related to pensions above, will be recognized as revenue in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30,	Amount
2018	\$ 312,864
2019	294,299
2020	523,462
2021	138,400

**Actuarial assumptions**

***Valuation Assumptions***

Investment rate of return –	8% a year for the MIP and Basic plans and 7% a year for the Pension Plus plan, both rates are compounded annually net of investment and administrative expenses.
Salary increases –	3.5-12.3%
Inflation –	3.5%
Cost-of-living adjustments –	3% annual non-compounded for MIP members

***Mortality Assumptions***

The healthy life post-retirement mortality table used in this valuation of the System was the RP-2000 Combined Healthy Life Mortality Table, adjusted for mortality improvements to 2020 using projection scale AA.

***Experience Study***

The annual actuarial valuation report of the System used for these statements is dated September 30, 2015. Assumption changes as a result of an experience study for the periods 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation.

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

North Muskegon Public Schools  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2017

**NOTE H—EMPLOYEE BENEFITS—Continued**

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

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

<u>Investment Category</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return*</u>
Domestic Equity Pools	28.0 %	5.9 %
Alternative Investment Pools	18.0	9.2
International Equity Pools	16.0	7.2
Fixed Income Pools	10.5	0.9
Real Estate and Infrastructure Pools	10.0	4.3
Absolute Return Pools	15.5	6.0
Short Term Investment Pools	2.0	0.0
<b>Total</b>	<b><u>100.0</u> %</b>	

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

***Discount rate***

The discount rate used to measure the total pension liability was 8 percent (7 percent for the Pension Plus Plan). The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of 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 8 percent (7 percent for Pension Plus 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 (7.0 percent) or 1 percentage point higher (9.0 percent) than the current rate:

	<u>1% Lower (7%)</u>	<u>Discount Rate (8%)</u>	<u>1% Higher (9%)</u>
School District’s proportionate share of the net pension liability	\$ 18,291,162	\$ 14,203,988	\$ 10,758,108

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan’s fiduciary net position is available in the separately issued Michigan Public School Employees Retirement System 2016 Comprehensive Annual Financial Report.

North Muskegon Public Schools  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2017

**NOTE H—EMPLOYEE BENEFITS—Continued**

***Other Post-employment Benefits***

Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which, through 2012, was funded on a cash disbursement basis. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, prescription drug, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree health care recipient. For members who first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP-Graded plan members) the subsidy is the maximum allowed by statute. To limit future liabilities of Other Post-employment 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.

Public Act 75 of 2010 requires each actively employed member of MPSERS after June 30, 2010 to annually contribute 3 percent of their compensation to offset employer contributions for health care benefits of current retirees.

**Retiree Healthcare Reform of 2012**

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

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

**Employer Contributions**

The School District is required to contribute the full actuarial funding contribution amount to fund retiree health care benefits. The contribution requirements of the School District are established and may be amended by the MPSERS Board of Trustees. The employer contribution rate ranged from 5.52% - 6.45% of covered payroll for the period October 1, 2013 to March 9, 2015, 2.2% - 2.71% of covered payroll for the period March 10, 2015 to September 30, 2015, and from 6.4% - 6.83% of covered payroll for the period October 1, 2015 to September 30, 2016, and from 5.69%-5.91% of covered payroll for the period October 1, 2016 to June 30, 2017. The School District post-employment healthcare contributions to MPSERS for the years ended June 30, 2017, 2016 and 2015 were approximately \$289,000, \$302,000 and \$136,000 respectively, and were equal to the required contribution for those years.

North Muskegon Public Schools  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2017

**NOTE I—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.

**Operating leases**

The School District has a lease agreement for the use of copiers expiring in March 2022. Expense for the year ended June 30, 2017 was approximately \$10,000. The following is a schedule of future minimum rental payments required under the lease.

<u>Year ending June 30,</u>	<u>Amount</u>
2018	\$ 41,832
2019	41,832
2020	41,832
2021	41,832
2022	31,374
	<u>\$ 198,702</u>

**NOTE J—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, 2017 or any of the prior three years.

North Muskegon Public Schools  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2017

**NOTE K—SUBSEQUENT EVENTS**

In August 2017, the School District received the proceeds of \$975,000 from the State of Michigan (State) school aid anticipation notes payable. The notes payable are not subject to redemption prior to their maturity in August 2018 and bear interest at the rate of 1.47 percent per annum. The School District pledged for payment of the notes payable, the amount of State school aid to be received plus the full faith, credit, and resources of the School District.

In July 2017, the School entered into construction contracts of approximately \$175,000 for building repairs. The repairs will be paid by the Sinking Fund.

**NOTE L—UPCOMING ACCOUNTING PRONOUNCEMENT**

*GASB Statement 75—Accounting and Financial Reporting for Postemployment Benefits other than Pensions* was issued by the GASB in June 2015 and will be effective for the School District's 2018 fiscal year. The statement requires governments that participate in postemployment benefits other than pensions (OPEB) to report in their Statement of Net Position a net OPEB liability. The net OPEB liability is the difference between the total OPEB liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside in a trust and restricted to paying benefits to current employees, retirees, and their beneficiaries. Cost-sharing employers will be required to record a liability and expense equal to their proportionate share of the collective net OPEB liability and expense for the cost-sharing plan. The net OPEB liability recorded in the Statement of Net Position on July 1, 2017 will be very significant.

*GASB Statement 84—Fiduciary Activities* was issued by the GASB in January 2017 and will be effective for the School District's 2020 fiscal year. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities for all state and local governments. The focus on the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION**

North Muskegon Public Schools  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**  
 General Fund  
 For the year ended June 30, 2017

	<u>Budgeted amounts</u>		<u>Actual</u>	<u>Variance with final budget- positive (negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Local sources	\$ 952,254	\$ 937,674	\$ 957,501	\$ 19,827
State sources	8,090,352	8,229,628	8,222,892	(6,736)
Federal sources	125,597	124,904	125,187	283
Incoming transfers and other transactions	19,000	19,000	19,000	-
Total revenues	9,187,203	9,311,206	9,324,580	13,374
<b>EXPENDITURES</b>				
Current				
Instruction				
Basic programs	5,303,219	5,398,678	5,395,242	3,436
Added needs	869,453	943,021	956,789	(13,768)
Adult and continuing education	30,044	15,022	15,022	-
Support services				
Pupil	658,879	674,996	672,435	2,561
Instructional staff	170,763	162,550	158,069	4,481
General administration	387,670	439,508	435,442	4,066
School administration	385,721	413,942	413,427	515
Business	165,910	174,684	173,909	775
Operations and maintenance	691,248	671,415	661,672	9,743
Pupil transportation services	126,464	129,661	119,599	10,062
Central	163,792	183,556	179,754	3,802
Athletics	231,916	244,526	235,659	8,867
Community services	23,000	26,500	26,164	336
Capital outlay	14,500	8,000	2,984	5,016
Total expenditures	9,222,579	9,486,059	9,446,167	39,892
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (35,376)</u>	<u>\$ (174,853)</u>	(121,587)	<u>\$ 53,266</u>
Fund balance at beginning of year			1,046,765	
Fund balance at end of year			<u>\$ 925,178</u>	



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)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
School District's proportion of the net pension liability (%)	0.05693%	0.05414%	0.05280%	-	-	-	-	-	-	-
School District's proportionate share of the net pension liability	\$ 14,203,988	\$ 13,224,254	\$ 11,629,192	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School District's covered payroll	\$ 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	299.64%	293.31%	258.76%	-	-	-	-	-	-	-
Plan fiduciary net position as a percentage of the total pension liability	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 Contributions**  
Michigan Public School Employee Retirement System  
Last 10 Fiscal Years (Amounts were determined as of 6/30 of each fiscal year)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Statutorily required contributions	\$ 894,450	\$ 1,044,474	\$ 1,104,841	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the statutorily required contributions	\$ 894,450	\$ 1,044,474	1,104,841	-	-	-	-	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's covered payroll	\$ 4,740,389	\$ 4,658,940	\$ 4,504,273	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered payroll	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**  
**Notes to Required Supplementary Information**  
For the year ended June 30, 2017

**Changes of benefit terms:** There were no changes of benefit terms in 2017.

**Changes of assumptions:** There were no changes of benefit assumptions in 2017.

**STATISTICAL DATA (UNAUDITED)**

North Muskegon Public Schools  
**STATISTICAL DATA**  
 June 30, 2017

**HISTORICAL PROPERTY VALUATIONS**

In accordance with Act No. 539, Public Acts of Michigan, 1982, and Article IX, Section 3 of the Michigan Constitution, the ad valorem State Equalized Valuation (SEV) represents 50% of true cash value. SEV does not include any value of tax exempt property (e.g. churches, governmental property) or property granted tax abatements under Act No. 198, Public Acts of Michigan, 1974, as amended. As a result of Proposal A, ad valorem property taxes are assessed on the basis of taxable value, which is subject to assessment caps. SEV is used in the calculation of debt margin and true cash value.

Taxable property in the School District is assessed by the local municipal assessor, and is subject to review by the County Equalization Department.

<u>Year</u>	<u>Homestead</u>	<u>Non-homestead</u>	<u>Taxable value</u>
2017	\$ 112,029,811	\$ 33,990,412	\$ 146,020,223
2016	108,956,852	34,214,142	143,170,994
2015	108,164,728	34,536,641	142,701,369
2014	106,310,690	33,330,634	139,641,324
2013	107,443,856	32,234,758	139,678,614
2012	102,520,088	36,806,336	139,326,424
2011	104,857,918	34,791,806	139,649,724
2010	105,863,975	36,050,618	141,914,593
2009	112,526,926	33,962,757	146,489,683
2008	112,148,267	33,766,455	145,914,722
2007	109,248,677	35,257,211	144,505,888
2006	104,928,454	33,142,008	138,070,462
2005	100,300,658	31,752,512	132,053,170
2004	95,840,566	29,676,337	125,516,903
2003	93,678,598	26,313,763	119,992,361
2002	90,024,640	26,294,951	116,319,591
2001	85,628,523	24,421,945	110,050,468
2000	80,971,381	21,851,753	102,823,134

North Muskegon Public Schools  
**STATISTICAL DATA**  
 June 30, 2017

**MAJOR TAXPAYERS**

The top ten taxpayers in the School District and their 2016 Taxable Valuation and Industrial Facilities Tax Valuation are as follows:

<u>Taxpayer</u>	<u>Product/service</u>	<u>Taxable value</u>
Beverly Hills Apartments	Apartments	\$ 1,820,200
Consumer's Energy	Utility	1,480,200
Peterson, Aaron & Jenny	Residential	1,176,856
MPLX Terminals LLC	Oil Refinery	1,090,300
DTE Energy Company	Utility	989,600
Witham, Christopher & Stephanie	Residential	864,700
Jestco Properties LLC	Commercial	761,000
Newcorp Inc.	Heavy Eqpt/trucking	715,100
Leestma Limited Family Partnership	Residential	654,668
Moulton, Mark & Mary	Residential	651,180
		<b><u><u>\$ 10,203,804</u></u></b>

The taxable values of the above taxpayers represent 7.0 percent of the School District's 2016 taxable value of \$146,020,223.

North Muskegon Public Schools  
**STATISTICAL DATA**  
 June 30, 2017

**TAX RATES (Per \$1,000 of Valuation)**

Each school district, county, township, special authority and city has a geographical definition which constitutes a tax district. Since local school districts and the county overlap either a township or a city, and intermediate school districts overlap local school districts and county boundaries, the result is many different tax rate districts.

*North Muskegon Public Schools*

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Voted (non-homestead)	18.0000	18.0000	18.0000	18.0000	18.0000	18.0000	17.8524	17.8524
Debt	7.8200	7.8200	7.8200	7.8200	7.7300	7.7300	7.7300	7.7300
Sinking Fund	1.4920	1.5000	-	-	-	-	-	-
<b>TOTAL HOMESTEAD</b>	9.3120	9.3200	7.8200	7.8200	7.7300	7.7300	7.7300	7.7300
<b>TOTAL NON-HOMESTEAD</b>	27.3120	27.3200	25.8200	25.8200	25.7300	25.7300	25.5824	25.5824

The School District's voted non-homestead millage expires with the December 1, 2020 levy.

*Other Major Taxing Units*

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
State Education Fund <sup>1</sup>	6.0000	6.0000	6.0000	6.0000	6.0000	6.0000	6.0000	6.0000
Muskegon County	6.8957	6.6357	6.6557	6.6957	6.6957	6.6957	4.4920	5.2410
City of North Muskegon	12.1379	12.1380	12.1849	12.1849	12.1849	12.9339	12.9339	12.1849
Muskegon County I/S/D	4.7580	4.7580	4.7580	3.7580	3.7580	3.7580	3.7580	3.7580
Muskegon Community College	2.5437	2.5437	2.5437	2.2037	2.2037	2.2037	2.2037	2.2037

<sup>1</sup>Pursuant to school finance reform legislation which became effective in March 1994, the State of Michigan levies 6.00 mills for school operating purposes on all homestead and non-homestead property located within the School District. The School District levies 18 mills of voted operating millage on non-homestead property and authorized debt millage on all homestead and non-homestead property located within the School District.

Source: Muskegon County

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**STATE AID PAYMENTS**

The School District's primary source of funding for operating costs is the State aid foundation allowance per pupil. The foundation guarantee was set at \$7,511 per pupil for the fiscal year 2016/2017. In future years, this allowance may be adjusted by an index based upon the change in revenues to the state school aid fund and the change in the total number of pupils statewide.

The following table shows a ten year history of the School District's total state aid revenues, including categorical and other amounts, and the per pupil state aid foundation allowance, which reflects the changes in sources of school operating revenue described herein:

<u>Year</u>	<u>Total</u>	<u>State Amount Received per Pupil</u>	<u>Foundation Allowance per Pupil</u>
2016/17 <sup>9</sup>	\$ 8,229,706	\$ 6,939.30	\$ 7,511.00
2015/16 <sup>8</sup>	\$ 7,945,890	\$ 6,798.17	\$ 7,391.00
2014/15 <sup>7</sup>	7,627,781	6,541.90	7,126.00
2013/14 <sup>6</sup>	7,453,068	6,450.20	7,026.00
2012/13 <sup>5</sup>	7,197,887	6,400.53	6,966.00
2011/12	6,864,583	6,319.01	6,965.00
2010/11 <sup>4</sup>	6,552,281	6,795.48	7,435.00
2009/10 <sup>3</sup>	6,236,052	6,771.80	7,435.00
2008/09 <sup>1</sup>	6,220,922	6,747.25	7,435.00
2007/08	6,303,666	6,624.75	7,326.00

<sup>1</sup>In 2008/09 all schools in Michigan was subject to a negative discretionary payment mandated by the State of Michigan due to budget cuts. Federal Stimulus payments were received to off-set this entire amount. The amount the school district received from Federal Stimulus funds to replace the decreased in State funding was \$340,230.

<sup>3</sup>2009/2010, the school received a LEA Pupil Deduct in the amount of \$142,720. All schools in the State of Michigan received this reduction on a per pupil basis. ARRA Federal Stimulus contributed \$256,561 to our budget by making up a direct deduction from the State of \$256,561.

<sup>4</sup>2010/2011, the school received a LEA Pupil Deduct in the amount of \$161,075. All schools in the State of Michigan received this reduction on a per pupil basis. ARRA Federal Stimulus contributed \$107,633 to our budget by making up a direct deduction from the State of \$107,633.

<sup>5</sup>2012/2013, the school received \$86,782 in section 147c funds for the MSPERS UAAL Rate Stability, \$91,622 in MSPERS cost offset, \$51,822 in Best Practice funds, and \$39,863 in Performance based funding.

<sup>6</sup>2013/2014, the school received \$230,004 in section 147C funds for the MPSERS UAAL Rate stability, \$62,163 in MPSERS cost offset, \$55,445 in Best Practice funds, and \$50,542 in foundation equity.

<sup>7</sup>2014/2015, the school received \$381,989 in section 147C and \$11,104 in section 147D funds for the MPSERS UAAL Rate stability, \$62,204 in MPSERS cost offset, \$50,555 in Best Practice funds, \$126,380 in foundation equity and \$60,524 in Performance based funding.

<sup>8</sup>2015/2016, the school received \$518,005 in section 147C funds for the MPSERS UAAL Rate stability, \$64,135 in MPSERS cost offset.

<sup>9</sup>2016/2017, the school received \$612,668 in section 147C funds for the MPSERS UAAL Rate stability, \$69,136 in MPSERS cost offset.

Source: Michigan Department of Education and School District



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**TAX LEVIES AND COLLECTIONS**

The School District’s fiscal year begins July 1 and ends June 30. School District property taxes are due December 1 of each fiscal year and are payable without interest or penalty on or before the following February 14. All real property taxes remaining unpaid on March 1st of the year following the levy are turned over to the County Treasurer for collection. Muskegon County annually pays from its Tax Payment Fund delinquent taxes on real property to all taxing units in the County, including the School District, shortly after the date delinquent taxes are returned to the County Treasurer for collection. The payment from this fund has resulted in collections of taxes approaching 100% for all taxing units. Delinquent personal property taxes are negligible.

A history of tax levies and collections for the School District is as follows:

<u>Levy Year</u>	<u>Operating tax levy</u>	<u>Collections to March 1 of Following Year</u>		<u>Collections plus funding to June 30 each year</u>	
2016	\$ 585,964	\$ 584,042	99.67 %	\$ 585,964	100.00 %
2015	608,944	589,014	96.73	608,944	100.00
2014	584,474	554,288	94.84	584,414	99.99
2013	573,983	550,690	95.94	573,101	99.85
2012	553,311	553,299	100.00	553,303	100.00
2011	628,326	588,472	93.66	624,459	99.38
2010	600,623	562,846	93.71	600,075	99.91
2009	606,881	578,413	95.31	597,832	98.51
2008	606,881	569,881	93.90	606,881	100.00
2007	619,657	583,632	94.19	619,657	100.00

The Tax Payment Fund is financed through the issuance of General Obligation Limited Tax Notes (GOLTNs) by the County. Although the School District anticipates the continuance of this program by the County, the ability of the County to issue such GOLTNs is subject to market conditions at the time of offering. In addition, Act 206 of 1893, as amended, provides in part that: “The primary obligation to pay to the county the amount of taxes and interest thereon shall rest with the local taxing units, and if the delinquent taxes which are due and payable to the county are not received by the county for any reason, the county has full right of recourse against the taxing unit to recover the amount thereof and interest thereon...” On the first Tuesday in May in each year, a tax sale is held by the County at which lands delinquent for taxes assessed in the third year preceding the sale, or in a prior year, are sold for the total of the unpaid taxes of those years.

Source: *School District*

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**PENSION FUND**

For the period from October 1 through September 30, the School District pays an amount equal to a percentage of its employees' wages to the Michigan Public School Employees Retirement System ("MPSERS") which is administered by the State of Michigan. These contributions are required by law and are calculated by using the contribution rates and periods provided in the table below of the employees' wages. The School District's estimated contribution to MPSERS for the 2015/16 fiscal year and the contributions for the previous nine years are shown below.

<u>Contribution Period</u>	<u>Contribution Rate</u>
October 1, 2016—September 30, 2017	32.66-36.64 %
October 1, 2015—September 30, 2016	31.49-36.31
October 1, 2014—September 30, 2015	29.72-34.54
October 1, 2013—September 30, 2014	25.52-29.35
October 1, 2012—September 30, 2013	26.96-27.37
October 1, 2011—September 30, 2012	19.16-24.66
October 1, 2010—September 30, 2011	19.41-20.66
October 1, 2009—September 30, 2010	16.94
October 1, 2008—September 30, 2009	16.54
October 1, 2007—September 30, 2008	16.72

<u>Fiscal year ending June 30</u>	<u>Contributions to MPSERS</u>
2017	\$ 1,903,852
2016	1,697,348
2015	1,588,279
2014	1,332,286
2013	1,164,003
2012	1,079,986
2011	793,376
2010	728,578
2009	688,462
2008	675,092

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**DEBT STATEMENT**

*Direct Debt*

<u>Dated</u>	<u>Purpose/Type</u>	<u>Interest spread</u>	<u>Maturities</u>	<u>Amount outstanding</u>
12/16/2015	Building & Site/Refunding	4%	5/1/16-20	\$ 1,365,000
12/16/2015	Building & Site/Refunding	1.19-2.5%	5/1/16-21	6,600,000
3/30/2016	Building & Site/Refunding	4%	5/1/17-33	7,400,000
9/18/2012	Building & Site/Refunding	1-2%	5/1/14-18	490,000
				<b><u>\$ 15,855,000</u></b>

Source: *Municipal Advisory Council of Michigan*

*School Bond Loan Fund*

As of June 30, 2017, the School District has a School Bond Loan Fund borrowing balance of \$2,023,866

School Bond Loan Fund-SBLF	\$ 3,716
School Loan Revolving Fund-GOSLRF	<u>2,020,150</u>
	<b><u>\$ 2,023,866</u></b>

Source: *State of Michigan Department of Treasury*

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**SCHOOL ENROLLMENT - HISTORICAL ENROLLMENT**

The School District's historical enrollment (Fall Pupil Count Day) is as follows:

<u>School Year</u>	<u>Enrollment</u>
2016/17	1,034
2015/16	1,037
2014/15	1,012
2013/14	1,012
2012/13	996
2011/12	997
2010/11	947
2009/10	931
2008/09	920
2007/08	901