

North Muskegon Public Schools

REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)

Year ended June 30, 2023



North Muskegon Public Schools

TABLE OF CONTENTS

Independent Auditor’s Report..... 1

Management’s Discussion and Analysis..... 4

Basic Financial Statements

 District-wide Financial Statements

 Statement of Net Position..... 11

 Statement of Activities 12

 Fund Financial Statements

 Governmental Funds

 Balance Sheet..... 13

 Reconciliation of the Governmental Funds Balance
 Sheet to the Statement of Net Position..... 14

 Statement of Revenues, Expenditures and Changes
 in Fund Balances..... 15

 Reconciliation of the Governmental Funds Statement
 of Revenues, Expenditures and Changes in Fund
 Balances to the Statement of Activities 16

 Notes to Financial Statements 17

Required Supplementary Information

 Budgetary Comparison Schedule—General Fund..... 41

 Schedule of the School District’s Proportionate Share of the Net Pension Liability 42

 Schedule of the School District’s Pension Contributions..... 43

 Schedule of the School District’s Proportionate Share of the Net OPEB Liability..... 44

 Schedule of the School District’s OPEB Contributions 45

 Notes to Required Supplementary Information..... 46



INDEPENDENT AUDITOR'S REPORT

Board of Education
North Muskegon Public Schools
North Muskegon, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of North Muskegon Public Schools, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise North Muskegon Public Schools' basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the North Muskegon Public Schools, as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

North Muskegon Public Schools
North Muskegon, Michigan
Page 3

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2023, on our consideration of the North Muskegon Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the North Muskegon Public Schools' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the North Muskegon Public Schools' internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Brickley DeLong, P.C." The signature is written in a cursive style.

Muskegon, Michigan
October 17, 2023

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, 2023. Please read it in conjunction with the District's financial statements, which immediately follow this section.

Using this Annual Report

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

Management's Discussion and Analysis (MD&A)

(Required Supplementary Information)

Basic Financial Statements

District-wide Financial Statements

Fund Financial Statements

Notes to Financial Statements

Required Supplemental 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, 2023 and 2022:

Statement of Net Position

	<u>2023</u>	<u>2022</u>
Assets		
Current and other assets	\$ 5,802,512	\$ 5,420,981
Capital assets	12,146,321	12,082,754
Total assets	17,948,833	17,503,735
Deferred outflows of resources	7,805,721	4,543,688
Total assets and deferred outflow of resources	25,754,554	22,047,423
Liabilities		
Current liabilities	4,103,921	3,773,847
Long-term liabilities	37,644,473	30,654,936
Total liabilities	41,748,394	34,428,783
Deferred inflows of resources	3,719,777	8,868,754
Total liabilities and deferred inflows of resources	45,468,171	43,297,537
Net position		
Net investment in capital assets	4,081,906	3,980,743
Restricted for debt service	176,094	505,039
Restricted for technology	68,123	44,393
Restricted for capital outlay/maintenance	618,354	245,938
Unrestricted	(24,658,094)	(26,026,227)
Total net position	<u>\$ (19,713,617)</u>	<u>\$ (21,250,114)</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 increased primarily due to increase in amounts due from other governmental units and cash.
- Capital assets increased due to capital asset additions exceeding current year depreciation.
- Deferred outflow of resources increased was related to pension costs.
- Current liabilities increased due to a higher cash flow loan from the previous year, and an increased payable to the Michigan pension system.
- Noncurrent liabilities increased due to increase in net pension and OPEB liabilities.
- Deferred inflows of resources decreased due to a decrease in pension and OPEB deferred inflows.

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 \$(19,713,617) at June 30, 2023. Net investment in capital assets of \$4,081,906 which compares the original cost (less depreciation) of the District's capital assets to long-term debt used to finance the acquisition of those assets. Net investment in capital assets improved due to repayment of related long-term debt. Some resources are restricted for specific activities. Total restricted net position was \$862,571. The remaining net position of \$(24,658,094) was unrestricted.

The \$(24,658,094) 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 2023 and 2022. Charges for services increased due to an increase lunches served not covered by federal grants. Operating grants revenue increased due to the additional COVID relief grants that were awarded to the District. Grants and contributions not restricted to specific programs increased due to an increase in state funding due to an increase in the foundation allowance. The District's enrollment increased as the District believes that enrollment is getting back to "normal" after COVID. Property taxes increased from the previous year due to an increase in the District's taxable value. Investment earnings increased due to high interest rates and additional money to invest throughout the year. Total expenses increased by roughly \$1.7 million compared to the 2022 fiscal year. While some of the increase is due to the athletics, student activities, the majority of the increases came in the instruction and support services. Part of the increase is due to the increase in the pension rates that is allocated for all salary (approximately an increase of \$700,000). The District is also spending additional dollars due to increased cost of services and utilities. The District is also spending more on county wide special education programming , substitute teacher costs and capital improvements.

North Muskegon Public Schools

Management's Discussion and Analysis

Statement of Activities

	<u>2023</u>	<u>2022</u>
Program Revenues		
Charges for Services	\$ 957,158	\$ 563,099
Operating Grants	2,825,308	2,628,068
General Revenues		
Property taxes	2,264,348	2,121,012
Grants and Contributions Not Restricted to Specific Programs	9,492,882	9,063,622
Investment Earnings	48,017	1,186
Miscellaneous	114,624	35,470
Total Program Revenues and General Revenues	<u>15,702,337</u>	<u>14,412,457</u>
Expenses		
Instruction	8,025,829	7,128,722
Support Services	4,144,747	3,649,027
Community Services	37,779	39,767
Food Services	561,177	522,469
Athletics	524,262	282,782
Student/school activities	426,487	337,055
Interest on long-term debt	445,559	468,425
Total Expenses	<u>14,165,840</u>	<u>12,428,247</u>
Change in Net Position	1,536,497	1,984,210
Net Position at Beginning of Year	<u>(21,250,114)</u>	<u>(23,234,324)</u>
Net Position at End of Year	<u>\$(19,713,617)</u>	<u>\$(21,250,114)</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 increased by \$94,752 to \$1,438,530. The increase in the fund balance is largely due to the best use of federal and state grants to offset the increase in programming. With the District receiving additional federal and state grants, the District shifted expenses from the General Fund to the grants; thus, increasing our fund balance.

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 2022/2023 General Fund's original budget were:

Revenues:

- State sources increased due to the additional state sections within the State budget. The largest increase was an increase to the Michigan Pension System in which the District gets money from the State and in turn pays the same amount to the Pension System.
- Federal sources increased due to the increase in federal awards due to the increase usage of the federal Covid grants.
- Incoming transfers and other transactions increased due to the increase in payment from the MAISD for the ACT 18 county tax.

Expenditures:

- Basic programs were increased for the budget as the District did not have to lay off anyone since the foundation allowance did not get reduced.
- Added needs costs decreased as a result of less staff needed as the District had an increase in students attending school remotely.
- Instructional Staff increased due to moving technology software and other items from the technology millage to a federal grant to support the District's staff.
- General administration increased to reflect the updated superintendent contract and additional legal services provided throughout the year.
- School Administration increased due to the additional hours the staff had to work to get the school year started.
- Operations and maintenance increased because the District added a dayporter on the cleaning contract.
- Transportation costs increased due to adding athletic transportation in the winter and spring.
- Capital Outlay increased because the District added O2 Prime to the HVAC system.

Final budget to actual variances

Revenues:

- Local and State revenues netted out when comparing the variances between the two categories.
- The largest variance is from incoming transfers section which is due to a proceeds from a new copier lease.

Expenditures:

- Throughout all line items, ORS cost came in higher because of the 147c increase in our allocation as noted above.
- The District also transferred money into a capital improvement fund which was not planned until after the final budget revision was approved.

North Muskegon Public Schools

Management's Discussion and Analysis

Capital Asset and Debt Administration

Capital Assets

At June 30, 2023, the District had \$12,146,321 (after accumulated depreciation) invested in a broad range of capital assets, including land, buildings, and furniture and equipment. This amount represents a net increase (including additions, deductions, and depreciation) of \$63,567 from last year. This year's increase was in construction in progress as the district is working on renovating the kitchen. The district also added technology including a right to use asset for copiers. We present more detailed information about our capital assets in the notes to the financial statements.

	<u>2023</u>	<u>2022</u>
Buildings and Land	\$ 20,521,978	\$ 20,491,697
Construction in Progress	26,159	-
Furniture and Equipment	2,069,763	1,803,156
Vehicles	254,013	254,013
Righ to use - equipment	205,241	-
Total Capital Assets	<u>23,077,154</u>	<u>22,548,866</u>
Less Accumulated Depreciation	<u>10,930,833</u>	<u>10,466,112</u>
Total Capital Assets, Net	<u><u>\$ 12,146,321</u></u>	<u><u>\$ 12,082,754</u></u>

Long-term Obligations

At June 30, 2023, the School District had \$15,860,093 in outstanding long-term obligations. During the year, the outstanding bond balance decreased due to normal scheduled debt payments and repayment of a portion of the school bond loan fund. The District did not have to borrow additional funds from state aid revolving loan fund to assist with the bond payments noted below.

	<u>2023</u>	<u>2022</u>
Bonds	\$ 12,462,030	\$ 13,607,011
Notes from direct borrowings and direct placements	3,097,384	3,300,988
Leases	182,268	-
Compensated absences	71,078	72,918
Early retirement obligations	47,333	58,583
Total long-term obligations	<u><u>\$ 15,860,093</u></u>	<u><u>\$ 17,039,500</u></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 2024 fiscal year budget. One of the most important factors affecting the budget is our student count and the State's budget. The State finally released the approved budget but it was after the original budget was presented and approved to the board of education. The District is trying to determine the enrollment level for the upcoming year. The District is working on determining the amount of school of choice students that will come back along with how many students will go fully remote. Without fully knowing the foundation allowance and the District's enrollment, it is tough to determine the programming that is needed for the District. The original 2024 budget was adopted in June 2023, anticipating enrollment increasing based on the school of choice applications that came into the District. With a lot of uncertainty of not knowing what the 2023-24 school would look like, the budget was adopted for the 2023-2024 projecting a decrease of fund balance by \$14,696.

The District obtained a state aid anticipation note in the amount of \$950,000 for the 2023-2024 school year.

Request for Information

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

North Muskegon Public Schools
STATEMENT OF NET POSITION
June 30, 2023

	Governmental activities
ASSETS	
Current assets	
Cash and cash equivalents	\$ 3,439,310
Receivables	3,503
Due from other governmental units	2,275,476
Inventories	6,472
Prepaid items	77,751
Total current assets	5,802,512
Noncurrent assets	
Nondepreciable/amortizable	446,159
Depreciable/amortizable	11,700,162
Total noncurrent assets	12,146,321
Total assets	17,948,833
DEFERRED OUTFLOWS OF RESOURCES	
Related to other postemployment benefits	1,656,910
Related to pensions	6,148,811
Total deferred outflows of resources	7,805,721
Total assets and deferred outflows of resources	25,754,554
LIABILITIES	
Current liabilities	
State aid loan	950,000
Accounts payable and accrued liabilities	1,377,397
Due to other governmental units	73,289
Unearned revenue	411,243
Bonds and other obligations, due within one year	1,291,992
Total current liabilities	4,103,921
Noncurrent liabilities	
Bonds and other obligations, less amounts due within one year	14,568,101
Net other postemployment benefits liability	1,205,807
Net pension liability	21,870,565
Total noncurrent liabilities	37,644,473
Total liabilities	41,748,394
DEFERRED INFLOWS OF RESOURCES	
Related to other postemployment benefits	2,553,240
Related to pensions	1,166,537
Total deferred inflows of resources	3,719,777
Total liabilities and deferred inflows of resources	45,468,171
NET POSITION	
Net investment in capital assets	4,081,906
Restricted	
Debt service	176,094
Technology	68,123
Capital outlay/maintenance	618,354
Unrestricted	(24,658,094)
Total net position	\$ (19,713,617)

The accompanying notes are an integral part of this statement.

North Muskegon Public Schools
STATEMENT OF ACTIVITIES
For the year ended June 30, 2023

<i>Functions/Programs</i>	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Position
		Charges for services	Operating grants and contributions	Governmental activities
Governmental activities				
Instruction	\$ 8,025,829	\$ -	\$ 2,203,996	\$ (5,821,833)
Support services	4,144,747	48,071	240,078	(3,856,598)
Community services	37,779	43,526	28	5,775
Food services	561,177	243,779	381,206	63,808
Student/school activities	524,262	530,119	-	5,857
Athletics	426,487	91,663	-	(334,824)
Interest on long-term debt	445,559	-	-	(445,559)
Total governmental activities	\$ 14,165,840	\$ 957,158	\$ 2,825,308	(10,383,374)
General revenues				
Property taxes				2,264,348
Grants and contributions not restricted to specific programs				9,492,882
Investment earnings				48,017
Miscellaneous				114,624
Total general revenues				11,919,871
Change in net position				1,536,497
Net position at beginning of year				(21,250,114)
Net position at end of year				\$ (19,713,617)

The accompanying notes are an integral part of this statement.

North Muskegon Public Schools
BALANCE SHEET
 Governmental Funds
 June 30, 2023

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Other governmental funds</u>	<u>Total governmental funds</u>
ASSETS				
Cash and cash equivalents	\$ 2,016,090	\$ 216,511	\$ 1,206,709	\$ 3,439,310
Receivables	2,250	-	1,253	3,503
Due from other governmental units	2,262,355	-	13,121	2,275,476
Due from other funds	-	23,513	166,184	189,697
Inventories	-	-	6,472	6,472
Prepaid items	77,751	-	-	77,751
Total assets	\$ 4,358,446	\$ 240,024	\$ 1,393,739	\$ 5,992,209
LIABILITIES				
State aid loan	\$ 950,000	\$ -	\$ -	\$ 950,000
Accounts payable	47,960	-	5,810	53,770
Accrued liabilities	1,258,885	-	812	1,259,697
Due to other governmental units	73,289	-	-	73,289
Due to other funds	189,697	-	-	189,697
Unearned revenue	400,085	-	11,158	411,243
Total liabilities	2,919,916	-	17,780	2,937,696
FUND BALANCES				
Nonspendable				
Inventories	-	-	6,472	6,472
Prepaid items	77,751	-	-	77,751
Restricted				
Debt service	-	240,024	-	240,024
Food service	-	-	388,855	388,855
Technology	-	-	68,123	68,123
Capital outlay/maintenance	-	-	618,354	618,354
Committed for student/school activities	-	-	294,155	294,155
Assigned to subsequent year's budget appropriations	14,696	-	-	14,696
Unassigned	1,346,083	-	-	1,346,083
Total fund balances	1,438,530	240,024	1,375,959	3,054,513
Total liabilities and fund balances	\$ 4,358,446	\$ 240,024	\$ 1,393,739	\$ 5,992,209

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, 2023

Total fund balance—governmental funds		\$ 3,054,513
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	\$ 23,077,154	
Accumulated depreciation/amortization	<u>(10,930,833)</u>	12,146,321
Deferred inflows and outflows of resources related to pensions and other postemployment benefits are not reported in the governmental funds.		
Deferred outflows of resources - related to other postemployment benefits	1,656,910	
Deferred inflows of resources - related to other postemployment benefits	(2,553,240)	
Deferred outflows of resources - related to pensions	6,148,811	
Deferred inflows of resources - related to pensions	<u>(1,166,537)</u>	4,085,944
Accrued interest in governmental activities is not reported in the governmental funds.		
		(63,930)
Long-term obligations in governmental activities are not due and payable in the current period and are not reported in the governmental funds.		
		<u>(38,936,465)</u>
Net position of governmental activities		<u>\$ (19,713,617)</u>

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, 2023

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Other governmental funds</u>	<u>Total governmental funds</u>
REVENUES				
Local sources				
Property taxes	\$ 627,672	\$ 1,372,765	\$ 252,258	\$ 2,252,695
Investment earnings	25,754	10,989	11,274	48,017
Fees and charges	135,189	-	243,779	378,968
Student/school activity income	-	-	530,119	530,119
Other	448,732	-	309,685	758,417
Total local sources	1,237,347	1,383,754	1,347,115	3,968,216
State sources	10,967,167	11,653	39,739	11,018,559
Federal sources	377,464	-	338,098	715,562
Total revenues	12,581,978	1,395,407	1,724,952	15,702,337
EXPENDITURES				
Current				
Instruction	7,874,605	-	-	7,874,605
Support services	4,554,140	-	193,816	4,747,956
Community services	37,779	-	-	37,779
Food services	-	-	623,193	623,193
Student/school activities	-	-	524,262	524,262
Debt service				
Principal repayment	70,565	1,238,605	-	1,309,170
Interest and other charges	22,200	491,585	-	513,785
Capital outlay	-	-	134,858	134,858
Total expenditures	12,559,289	1,730,190	1,476,129	15,765,608
Excess (deficiency) of revenues over (under) expenditures	22,689	(334,783)	248,823	(63,271)
OTHER FINANCING SOURCES (USES)				
Transfers in	21,822	-	155,000	176,822
Transfers out	(155,000)	-	(21,822)	(176,822)
Proceeds from leases	205,241	-	-	205,241
Total other financing sources (uses)	72,063	-	133,178	205,241
Net change in fund balances	94,752	(334,783)	382,001	141,970
Fund balances at beginning of year	1,343,778	574,807	993,958	2,912,543
Fund balances at end of year	\$ 1,438,530	\$ 240,024	\$ 1,375,959	\$ 3,054,513

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, 2023

Net change in fund balances—total governmental funds \$ 141,970

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/amortization expense	\$ (523,401)	
Capital outlay	<u>586,968</u>	63,567

Debt proceeds are other financing sources in the governmental funds, but the proceeds increase long-term debt in the Statement of Net Position. (205,241)

Repayment of principal on long-term obligations is an expenditure in the governmental funds, but the repayment reduces long-term obligations in the Statement of Net Position. 1,371,558

Interest expense on long-term obligations is recorded in the Statement of Activities when incurred, but is not reported in governmental funds until paid. 5,838

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. 13,090

Some other postemployment benefit related expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. 899,067

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. (753,352)

Change in net position of governmental activities \$ 1,536,497

The accompanying notes are an integral part of this statement.

North Muskegon Public Schools
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

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

Basis of Presentation—Government-wide and Fund Financial Statements

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

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds.

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

The fund financial statements provide information about the School District's funds. The emphasis of fund financial statements is on major governmental funds. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The School District reports the following major governmental funds:

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

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

North Muskegon Public Schools
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

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

Additionally, the School District reports the following fund types:

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

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

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

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

Measurement Focus and Basis of Accounting

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

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

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

North Muskegon Public Schools
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Measurement Focus and Basis of Accounting—Continued

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

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

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

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

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

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

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, 2023

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balances—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 acquisition 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
Right to use – equipment	6

North Muskegon Public Schools
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

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

Long-term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Defined Benefit Plan

For purposes of measuring the net pension and net other postemployment benefits (OPEB) liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the fiduciary net position of the Michigan Public School Employees Retirement System (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 assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditures) until that time.

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

Net Position Flow Assumption

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

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

In the computation of net investment in capital assets, School Bond Loan Fund and School Loan Revolving Fund debt is not considered to be capital related debt.

North Muskegon Public Schools
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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.

Leases and Subscription Based IT Arrangements (SBITA)

Lessee/subscriber: For noncancellable agreements that qualify as lease/SBITAs, the School District recognizes lease liabilities and an intangible right-to-use lease asset in the government-wide financial statements. The District recognizes lease/SBITA liability with an initial, individual value of \$5,000 or more.

At the commencement of a lease/subscription, the School District initially measures the lease/SBITA liability at the present value of payments expected to be made during the lease/SBITA term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease/SBITA asset is initially measured as the initial amount of the lease/SBITA liability, adjusted for lease/subscription payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease/subscription asset is amortized on a straight-line basis over its useful life.

Key estimates and judgements related to leases/subscriptions include how the District determines (1) the discount rate it uses to discount the expected lease/SBITA payments to present value, (2) lease/SBITA term, and (3) lease/SBITA payments.

North Muskegon Public Schools
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Leases and Subscription Based IT Arrangements (SBITA)—Continued

The School District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the School District generally uses its estimated incremental borrowing rate as the discount rate for leases/SBITA.

The lease/SBITA term includes the noncancelable period of the lease/subscription. Lease/SBITA payments included in the measurement of the lease/SBITA liability are composed of fixed payments and purchase option price that the School District is reasonably certain to exercise.

The School District monitors changes in circumstances that would require a remeasurement of its lease/SBITA and will remeasure the lease/subscription asset and liability if certain changes occur that are expected to significantly affect the amount of the lease/SBITA liability.

Lease/SBITA assets are reported with other capital assets and lease/SBITA liabilities are reported with long-term obligations on the statement of net position.

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.

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.

North Muskegon Public Schools
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Revenues and Expenditures/Expenses—Continued

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, 2023.

Sinking Fund Compliance

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

North Muskegon Public Schools
NOTES TO FINANCIAL STATEMENTS
 June 30, 2023

NOTE C—DEPOSITS AND INVESTMENTS

As of June 30, 2023, the School had the following investments:

Investment Type	Fair value	Weighted average maturity (Days)	Standard & Poor's rating	Percent
MILAF External Investment pool - CMC	\$ 818,338	34	not rated	95%
MILAF External Investment pool - MAX	41,846	34	AAAm	5%
Total fair value	<u>\$ 860,184</u>			<u>100%</u>

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, 2023, \$2,169,127 of the School's bank balance of \$2,669,127 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, 2023

NOTE C—DEPOSITS AND INVESTMENTS—Continued

Fair value management

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

	Amortized Cost
MILAF External Investment pool - CMC	\$ 818,338
MILAF External Investment pool - MAX Class	41,846
	\$ 860,184

NOTE D—CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023 was as follows:

	Balance July 1, 2022,	Additions	Deductions	Balance June 30, 2023
Capital assets, not being depreciated/amortized:				
Land	\$ 420,000	\$ -	\$ -	\$ 420,000
Capital assets, being depreciated/amortized:				
Buildings and improvements	20,071,697	30,281	-	20,101,978
Furniture and equipment	1,803,156	325,287	58,680	2,069,763
Vehicles	254,013	-	-	254,013
Right to use - equipment	-	205,241	-	205,241
Total capital assets, being depreciated/amortized	22,128,866	560,809	58,680	22,630,995
Less accumulated depreciation/amortization:				
Buildings and improvements	8,841,902	408,640	-	9,250,542
Furniture and equipment	1,374,640	88,339	58,680	1,404,299
Vehicles	249,570	2,477	-	252,047
Right to use - equipment	-	23,945	-	23,945
Total accumulated depreciation/amortization	10,466,112	523,401	58,680	10,930,833
Total capital assets, being depreciated/amortized, net	11,662,754	37,408	-	11,700,162
Capital assets, net	\$ 12,082,754	\$ 63,567	\$ -	\$ 12,146,321

Depreciation/amortization

Depreciation/amortization expense has been charged to functions as follows:

Instruction	\$ 363,319
Support services	137,180
Athletics	19,415
Food services	3,487
	\$ 523,401

North Muskegon Public Schools
NOTES TO FINANCIAL STATEMENTS
 June 30, 2023

NOTE E—INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2023 is as follows:

Due to/from other funds:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
Debt Service Fund	General Fund	\$ 23,513
Other governmental funds	General Fund	<u>166,184</u>
		<u>\$ 189,697</u>

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

Interfund Transfers

The General Fund transferred \$155,000 to capital projects for the purpose of capital asset purchases. The Food Service Fund transferred \$21,822 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. In the event of default, the State of Michigan can withhold future state aid payments. The short-term debt activity for the year ended June 30, 2023 follows:

	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>
	<u>July 1, 2022</u>			<u>June 30, 2023</u>
State aid anticipation note				
2021/2022 .12% due August 2022	\$ 750,000	\$ -	\$ 750,000	\$ -
2022/2023 1.99% due August 2023	-	950,000	-	950,000
	<u>\$ 750,000</u>	<u>\$ 950,000</u>	<u>\$ 750,000</u>	<u>\$ 950,000</u>

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. Notes from direct borrowings and direct placements include the Installment Purchase obligations, leases and School Loan Revolving Fund.

North Muskegon Public Schools
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE G—LONG-TERM OBLIGATIONS—Continued

The following is a summary of long-term obligations activity for the School District for the year ended June 30, 2023:

	<u>Balance</u> <u>July 1, 2022,</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2023</u>	<u>Due within</u> <u>one year</u>
Governmental activities					
Bonds	\$ 12,890,000	\$ -	\$ 1,080,000	\$ 11,810,000	\$ 1,145,000
Premiums	733,359	-	66,538	666,821	66,538
Discounts	(16,348)	-	(1,557)	(14,791)	(1,557)
Notes from direct borrowings and direct placements	3,300,988	-	203,604	3,097,384	15,044
Leases	-	205,241	22,973	182,268	39,967
Compensated absences	72,918	7,675	9,515	71,078	4,000
Early retirement incentives	58,583	23,250	34,500	47,333	23,000
	<u>\$ 17,039,500</u>	<u>\$ 236,166</u>	<u>\$ 1,415,573</u>	<u>\$ 15,860,093</u>	<u>\$ 1,291,992</u>

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

The governmental activity notes from direct borrowings and direct placements are primarily comprised of notes payable to the State of Michigan under the School Bond Loan Fund and School Loan Revolving Fund which are secured by future state aid and property tax revenues of the School District. In the event of default, the State of Michigan can withhold future state aid payments. The lease are non-cancellable by the School District and are secured by the equipment.

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

	<u>Interest Rate</u>	<u>Date of</u> <u>Maturity</u>	<u>Balance</u>
General obligation bonds			
2016 Refunding General Obligation Bond	4%	May 2033	\$ 6,170,000
2019 Refunding General Obligation Bond	1.94-2.63%	May 2030	4,720,000
2020 Energy Conservation Improvement Bonds	2-4%	May 2036	920,000
			<u>\$ 11,810,000</u>
Notes from direct borrowings and direct placements			
School Loan Revolving Fund	4.11%	May 2039	\$ 2,983,426
Installment Purchase Agreement	2.62%	May 2029	113,958
			<u>\$ 3,097,384</u>
Lease obligation	1.82%	November 2027	<u>\$ 182,268</u>

North Muskegon Public Schools
NOTES TO FINANCIAL STATEMENTS
 June 30, 2023

NOTE G—LONG-TERM OBLIGATIONS—Continued

The annual requirements of principal and interest to amortize the bonds and notes from direct borrowings and direct placements outstanding as of June 30, 2023 follow:

Year ending June 30,	Governmental activities					
	Bonds		Notes from Direct Borrowings and Direct Placements		Leases	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 1,145,000	\$ 383,579	\$ 15,044	\$ 3,031	\$ 39,967	\$ 3,053
2025	1,210,000	347,640	15,438	263	40,717	2,303
2026	1,275,000	309,590	15,843	222	41,482	1,538
2027	1,345,000	269,449	16,258	1,799	42,261	759
2028	1,420,000	227,033	16,685	1,367	17,841	83
2029-2033	5,155,000	497,303	34,690	1,378	-	-
2031-2035	260,000	12,600	2,983,426	-	-	-
	\$ 11,810,000	\$ 2,047,194	\$ 3,097,384	\$ 8,060	\$182,268	\$ 7,736

NOTE H—PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description

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

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

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

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

North Muskegon Public Schools
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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

Benefits Provided – Pension

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Depending on the plan option selected (Basic, Member Investment Plan (MIP), Pension Plus, Pension Plus 2), member retirement benefits for DB plan members are determined by final average compensation, years of service, and a pension factor ranging from 1.25 percent to 1.50 percent. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

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

Pension Reform 2010

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

Pension Reform 2012

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

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

North Muskegon Public Schools
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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

Benefits Provided – Pension—Continued

Pension Reform 2012—Continued

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

Pension Reform 2017

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

Regular Retirement

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

Post-Retirement Adjustments

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

Plan Status

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

North Muskegon Public Schools
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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

Benefits Provided – OPEB

Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which, through 2012, was funded on a cash disbursement basis. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, prescription drug, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree healthcare recipient. For members who first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP Graded plan members) the subsidy is the maximum allowed by statute. To limit future liabilities of Other Postemployment Benefits, members who first worked on or after July 1, 2008 (MIP-Plus plan members) have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80 percent beginning January 1, 2013; 90 percent for those Medicare eligible and enrolled in the insurances as of that date. Dependents are eligible for healthcare coverage if they meet the dependency requirements set forth in Public Act 300 of 1980, as amended.

Public Act 300 of 2012 granted all active members of the Michigan Public School Employees Retirement System, who earned service credit in the 12 months ending September 3, 2012 or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their retirement healthcare. Any changes to a member's healthcare benefit are effective as of the member's transition date, which is defined as the first day of the pay period that begins on or after February 1, 2013. Under Public Act 300 of 2012, members were given the choice between continuing the 3 percent contribution to retiree healthcare and keeping the premium subsidy benefit described above, or choosing not to pay the 3 percent contribution and instead opting out of the subsidy benefit and becoming a participant in the Personal Healthcare Fund (PHF), a portable, tax-deferred fund that can be used to pay healthcare expenses in retirement. Participants in the PHF are automatically enrolled in a 2 percent employee contribution into their 457 account as of their transition date, earning them a 2 percent employer match into a 401(k) account. Members who selected this option stop paying the 3 percent contribution to retiree healthcare as of the day before their transition date, and their prior contributions were deposited into their 401(k) account.

Contributions – Pension and OPEB

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2021 valuation will be amortized over an 17-year period beginning October 1, 2021, and ending September 30, 2038.

North Muskegon Public Schools
NOTES TO FINANCIAL STATEMENTS
 June 30, 2023

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

Contributions – Pension and OPEB—Continued

The schedules below summarize the contribution rates in effect for the System’s fiscal year ended September 30, 2022.

Pension Contribution Rates		
Benefit Structure	Member	Employer
Basic	0.0 - 4.0 %	20.14 %
Member Investment Plan	3.0 - 7.0	20.14
Pension Plus Plan	3.0 - 6.4	17.22
Pension Plus 2 Plan	6.2	19.93
Defined Contribution	0.0	13.73

OPEB Contribution Rates		
Benefit Structure	Member	Employer
Premium Subsidy	3.0 %	8.09 %
Personal Healthcare Fund	0.0	7.23

The School District’s pension contributions for the year ended June 30, 2023 were equal to the required contribution total. Pension contributions were approximately \$2,019,000, including Section 147c contributions.

For the year ended June 30, 2023, the School District and employee defined contribution plan contributions were approximately \$56,900 and \$112,100, respectively.

The School District’s OPEB contributions for the year ended June 30, 2023 were equal to the required contribution total. OPEB contributions were approximately \$429,000.

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

At June 30, 2023, the School District reported a liability of \$21,870,565 for its proportionate share of the MPSERS net pension liability and a liability of \$1,205,807 for its proportionate share of the MPSERS net OPEB liability.

The net pension and OPEB liabilities were measured as of September 30, 2022, and the total pension and OPEB liabilities used to calculate the net pension and OPEB liabilities were determined by an actuarial valuation rolled forward from September 30, 2020. The School District’s proportion of the net pension and OPEB liabilities was determined by dividing each employer’s statutorily required pension and OPEB contributions to the system during the measurement period by the percent of pension and OPEB contributions, respectively, required from all applicable employers during the measurement period. At September 30, 2022 and 2021, the School District’s pension proportion was 0.05816 and 0.05876 percent, respectively. At September 30, 2022 and 2021, the School District’s OPEB proportion was 0.05693 and 0.05888 percent, respectively.

For the year ended June 30, 2023, the School District recognized pension expense (benefit) of \$2,730,448 and OPEB expense (benefit) of \$(465,470).

North Muskegon Public Schools
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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

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

At June 30, 2023, the School District reported deferred outflows of resources and deferred inflows of resources from the following sources:

	<u>Pension</u>		<u>OPEB</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 218,782	\$ 48,900	\$ 94,243	\$ 2,361,714
Changes of assumptions	3,758,147	-	1,074,774	87,514
Net difference between projected and actual earnings on plan investments	51,286	-	-	-
Changes in proportion and differences between School District contributions and proportionate share of contributions	187,754	149,929	93,600	104,012
State of Michigan Section 147c(1) UAAL rate stabilization and 147c(2) one time deposit state aid payments subsequent to the measurement date	-	967,708	-	-
School District contributions subsequent to the measurement date	1,932,842	-	394,293	-
Total	\$6,148,811	\$1,166,537	\$1,656,910	\$2,553,240

North Muskegon Public Schools
NOTES TO FINANCIAL STATEMENTS
 June 30, 2023

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

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

The School District’s contributions subsequent to the measurement date reported as deferred outflows of resources related to pensions and OPEB resulting from employer contributions subsequent to the measurement date, in the chart above, will be recognized as a reduction of the net pension liability and the net OPEB liability, respectively, in the year ended June 30, 2024. The State of Michigan Section 147c(1) UAAL rate stabilization and 147c(2) one time deposit state aid payments subsequent to the measurement date reported as deferred inflows of resources will be recognized as revenue in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be recognized in expense as follows:

Year ending June 30,	Pension	OPEB
2024	\$ 1,203,344	\$ (447,423)
2025	870,881	(395,992)
2026	702,866	(366,187)
2027	1,240,049	(37,724)
2028	-	(39,316)
Thereafter	-	(3,981)
	\$ 4,017,140	\$ (1,290,623)

Actuarial Assumptions

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

Summary of Actuarial Assumptions

Valuation date	September 30, 2021
Actuarial cost method	Entry age, Normal
Wage Inflation Rate –	2.75%
Investment rate of return –	6.00% a year for the MIP and Basic plans 6.00% a year for the Pension Plus plan 6.00% a year for the Pension Plus 2 plan 6.00% a year for OPEB
Salary increases –	2.75%-11.55%, including wage inflation at 2.75%
Cost-of-living pension adjustments –	3% annual non-compounded for MIP members
Healthcare cost trend rate –	Pre-65: 7.75% Year 1 graded to 3.5% Year 15; 3% Year 120 Post-65: 5.25% Year 1 graded to 3.5% Year 15; 3% Year 120

North Muskegon Public Schools
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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

Actuarial Assumptions—Continued

Mortality Assumptions

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

Opt-Out Assumption

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

Survivor Coverage

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

Coverage Election at Retirement

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

Experience Study

Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension and OPEB valuations beginning with the September 30, 2018 valuation. The total pension and OPEB liabilities as of September 30, 2022 are based on the results of an actual valuation date of September 30, 2021, and rolled forward using generally accepted actuarial procedures, including the experience study.

Long-Term Expected Rate of Return on Investments

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

North Muskegon Public Schools
NOTES TO FINANCIAL STATEMENTS
 June 30, 2023

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

Actuarial Assumptions—Continued

Long-Term Expected Rate of Return on Investments—Continued

Best estimates of arithmetic real rates of return for each major asset class included in the plan’s target asset allocation as of September 30, 2022 are summarized in the following table:

Investment Category	Target Allocation	Long-term Expected Real Rate of Return*
Domestic Equity Pools	25.0 %	5.1 %
Private Equity Pools	16.0	8.7
International Equity Pools	15.0	6.7
Fixed Income Pools	13.0	(0.2)
Real Estate and Infrastructure Pools	10.0	5.3
Absolute Return Pools	9.0	2.7
Real Return/Opportunistic Pools	10.0	5.8
Short Term Investment Pools	2.0	(0.5)
Total	<u>100.0</u> %	

*Long term rates of return are net of administrative expenses and 2.2% inflation.

Rate of return

For the fiscal year ended September 30, 2022, the annual money-weighted rate of return on plan investments, net of plan investment expense, was (4.18) percent and (4.99) percent on pension plan and OPEB plan investments, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount rate

In the current year, the discount rates used to measure the total pension and OPEB liabilities were 6.00 percent (6.00 percent for the Pension Plus plan and 6.00 percent for the Pension Plus 2 plan, hybrid plans provided through non-university employers only), and 6.00 percent, respectively. The discount rates used to measure the total pension and OPEB liability as of June 30, 2022 were 6.80 percent (6.80 percent for the Pension Plus plan and 6.00 percent for the Pension Plus 2 plan, hybrid plans provided through non-university employers only), and 6.95 percent, respectively. These discount rates for the current year were based on the long-term expected rates of return on pension plan and OPEB investments of 6.00 percent (6.00 percent for the Pension Plus plan, 6.00 percent for the Pension Plus 2 plan), and 6.00 percent, respectively. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension and OPEB plans’ fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension and OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension and OPEB liabilities.

North Muskegon Public Schools
NOTES TO FINANCIAL STATEMENTS
 June 30, 2023

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

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

The following presents the School District’s proportionate share of the net pension liability calculated using the discount rate of 6.00 percent (6.00 percent for the Pension Plus plan and 6 percent for the Pension Plus 2 plan), as well as what the School District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher:

1% Lower* (5.0% / 5.0% / 5.0%)*	Discount Rate* (6.0% / 6.0% / 6.0%)*	1% Higher* (7.0% / 7.0% / 7.0%)*
\$ 28,861,020	\$ 21,870,565	\$ 16,110,114

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

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

The following presents the School District’s proportionate share of the net OPEB liability calculated using the discount rate of 6.00 percent, as well as what the School District’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher:

1% Lower (5.0%)	Discount Rate (6.0%)	1% Higher (7.0%)
\$ 2,022,625	\$ 1,205,807	\$ 517,945

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

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

1% Lower	Current Healthcare Cost Trend Rate	1% Higher
\$ 504,934	\$ 1,205,807	\$ 1,992,550

Pension and OPEB Plans Fiduciary Net Position

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

Payable to the pension and OPEB plan

At year end the School District is current on all required pension and OPEB payments. Accruals for July and August deferred payroll and for July and August Section 147c(1) and Section 147c(2) amounts are not considered payables for this purpose.

North Muskegon Public Schools
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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.

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, 2023 or any of the prior three years.

NOTE K—SUBSEQUENT EVENT

In August 2023, the School District received the proceeds of a \$950,000 State of Michigan (State) school aid anticipation notes payable. The note payable is not subject to redemption prior to its maturity in August 2024 and bears interest at the rate of 3.46 percent per annum. The School District pledged for payment of the note payable, the amount of State school aid to be received plus the full faith, credit, and resources of the School District.

REQUIRED SUPPLEMENTARY INFORMATION

North Muskegon Public Schools
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
 General Fund
 For the year ended June 30, 2023

	Budgeted amounts		Actual	Variance with final budget
	Original	Final		
REVENUES				
Local sources	\$ 1,059,389	\$ 1,176,069	\$ 1,237,347	\$ 61,278
State sources	10,298,004	11,031,815	10,967,167	(64,648)
Federal sources	236,683	366,418	377,464	11,046
Incoming transfers and other transactions	30,000	30,000	227,063	197,063
Total revenues	11,624,076	12,604,302	12,809,041	204,739
EXPENDITURES				
Current				
Instruction				
Basic programs	6,022,539	6,461,174	6,347,912	113,262
Added needs	1,455,510	1,516,090	1,478,198	37,892
Adult and continuing education	43,500	46,000	48,495	(2,495)
Support services				
Pupil	898,837	945,833	934,148	11,685
Instructional staff	357,209	436,248	419,992	16,256
General administration	526,414	567,533	552,526	15,007
School administration	504,863	541,236	547,543	(6,307)
Business	181,214	181,090	156,105	24,985
Operations and maintenance	834,060	960,346	1,112,376	(152,030)
Pupil transportation services	182,998	201,131	190,532	10,599
Central	196,346	219,925	212,383	7,542
Athletics	373,374	429,246	422,045	7,201
Other	5,000	6,869	6,490	379
Community services	35,000	35,000	37,779	(2,779)
Debt service	95,400	95,400	92,765	2,635
Outgoing transfers and other transactions	-	76,586	155,000	(78,414)
Total expenditures	11,712,264	12,719,707	12,714,289	5,418
Excess (deficiency) of revenues over (under) expenditures	\$ (88,188)	\$ (115,405)	94,752	\$ 210,157
Fund balance at beginning of year			1,343,778	
Fund balance at end of year			\$ 1,438,530	

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)

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
School District's proportion of the net pension liability (%)	0.05816%	0.05876%	0.05812%	0.05738%	0.05695%	0.05722%	0.05693%	0.05414%	0.05280%	-
School District's proportionate share of the net pension liability	\$ 21,870,565	\$ 13,912,338	\$ 19,966,477	\$ 19,002,602	\$ 17,120,520	\$ 14,827,842	\$ 14,203,988	\$ 13,224,254	\$ 11,629,192	\$ -
School District's covered payroll	\$ 5,189,476	\$ 5,189,476	\$ 5,059,372	\$ 4,927,110	\$ 4,806,505	\$ 4,744,579	\$ 4,740,389	\$ 4,508,615	\$ 4,494,154	\$ -
School District's proportionate share of the net pension liability as a percentage of its covered payroll	421.44%	268.09%	394.64%	385.67%	356.19%	312.52%	299.64%	293.31%	258.76%	-
Plan fiduciary net position as a percentage of the total pension liability	60.77%	72.60%	59.72%	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%	-

Note: For years prior to 2014 the information is not available. Until a full 10-year trend is compiled, information will only be presented for those years for which information is available.

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Statutorily required contributions	\$ 1,051,107	\$ 1,061,600	\$ 998,304	\$ 974,785	\$ 871,034	\$ 852,040	\$ 894,450	\$ 1,044,474	\$ 1,104,841	\$ -
Contributions in relation to the statutorily required contributions	1,051,107	1,061,600	998,304	974,785	871,034	852,040	894,450	1,044,474	1,104,841	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School District's covered payroll	\$ 5,415,700	\$ 5,428,152	\$ 5,099,588	\$ 5,055,787	\$ 4,911,425	\$ 4,771,844	\$ 4,739,013	\$ 4,658,940	\$ 4,504,273	\$ -
Contributions as a percentage of covered payroll	19.41%	19.56%	19.58%	19.28%	17.73%	17.86%	18.87%	22.42%	24.53%	-

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

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
School District's proportion of the net OPEB liability (%)	0.05693%	0.05888%	0.05791%	0.05749%	0.05674%	0.05724%	-	-	-	-
School District's proportionate share of the net OPEB liability	\$ 433,653	\$ 898,739	\$ 3,102,294	\$ 4,126,823	\$ 4,510,448	\$ 5,069,213	\$ -	\$ -	\$ -	\$ -
School District's covered payroll	\$ 5,415,700	\$ 5,189,476	\$ 5,059,372	\$ 4,927,110	\$ 4,806,505	\$ 4,744,579	\$ -	\$ -	\$ -	\$ -
School District's proportionate share of the net OPEB liability as a percentage of its covered payroll	8.01%	17.32%	61.32%	83.76%	93.84%	106.84%	-	-	-	-
Plan fiduciary net position as a percentage of the total OPEB liability	83.09%	87.33%	59.44%	48.46%	42.95%	36.39%	-	-	-	-

Note: For years prior to 2017 the information is not available. Until a full 10-year trend is compiled, information will only be presented for those years for which information is available.

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Statutorily required contributions	\$ 433,653	\$ 434,893	\$ 428,821	\$ 417,310	\$ 399,365	\$ 355,351	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the statutorily required contributions	433,653	434,893	428,821	417,310	399,365	355,351	-	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School District's covered payroll	\$ 5,415,700	\$ 5,428,152	\$ 5,099,588	\$ 5,055,787	\$ 4,911,425	\$ 4,771,844	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered payroll	8.01%	8.01%	8.41%	8.25%	8.13%	7.45%	-	-	-	-

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

North Muskegon Public Schools
STATISTICAL DATA
June 30, 2023

Pension Information

Changes of benefit terms: There were no changes of benefit terms in 2022.

Changes of assumptions: There were no changes of assumptions in 2022.

OPEB Information

Benefit changes – there were no changes of benefit terms in 2022.

Changes of assumptions – there were no changes of benefit terms in 2022.