

Muskegon Area Intermediate School District

REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)

Year ended June 30, 2022



Muskegon Area Intermediate School District

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INDEPENDENT AUDITOR'S REPORT

Board of Education
Muskegon Area Intermediate School District
Muskegon, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Muskegon Area Intermediate School District (the School District), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

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

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School District and to meet our 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.

Change in Accounting Principle

As described in Note J to the financial statements, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. Our opinions are not modified with respect to this matter.

Board of Education
Muskegon Area Intermediate School District
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Report on the Audit of the Financial Statements—Continued

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 the School District’s 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 misstatements 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 the School District’s 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 the School District’s 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.

Board of Education
Muskegon Area Intermediate School District
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Report on the Audit of the Financial Statements—Continued

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.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The accompanying combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2022 on our consideration of the School District’s 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 School District’s 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 School District’s internal control over financial reporting and compliance.



Muskegon, Michigan
October 26, 2022

Muskegon Area Intermediate School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2022

The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be Muskegon Area Intermediate School District Administration's discussion and analysis of the financial results for the fiscal year ended June 30, 2022.

According to GASB 34, generally accepted accounting principles require the reporting of two types of financial statements: District-wide Financial Statements and Fund Financial Statements.

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 Muskegon Area Intermediate School District as a whole. The *District-wide Financial Statements* provide information about the activities of the whole Intermediate School District, presenting both an aggregate view of the Intermediate School District's finances and a longer-term view of those finances. The *Fund Financial Statements* provide the next level of detail. 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 Intermediate School District's operations in more detail than the district-wide financial statements by providing information about the Intermediate School District's most significant funds: General Fund, Special Education Fund, Vocational Education (Career Tech Center) Fund and Career Tech Capital Project.

Reporting the Intermediate School District as a Whole District-Wide Financial Statements

The district-wide financial statements include the statement of net position and the statement of activities. These statements, which appear first in the Intermediate School District's financial statements, report information on the Intermediate School District as a whole and its activities in a way to provide an easy-to-understand overview of the Intermediate School District's financial position and results of operations for the year. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Muskegon Area Intermediate School District's net position, which is the difference between assets, deferred inflows and outflows, and liabilities, as reported in the statement of net position. This is one key measure of the Intermediate School District's financial health or financial position. The statement of net position and statement of activities report the governmental activities of the Muskegon Area Intermediate School District, which encompass all of the Intermediate School District's services, including instruction, supporting services, and community services. Property taxes, state aid, and federal grants finance most of these activities. GASB Statements 68 and 75 have now been fully incorporated into the financial statements.

Muskegon Area Intermediate School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2022

Over time, increases or decreases in the Intermediate School District's net position (as reported in the statement of activities) are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the Intermediate School District's operating results. However, Muskegon Area Intermediate School District exists to provide services to our local school districts, their staff, and the students they serve. Consideration of other non-financial factors, such as the quality of services provided, is needed to assess the overall health of the Muskegon Area Intermediate School District.

The Intermediate School District's mission is to provide leadership, programs and services that enhance the success of everyone it serves. The Intermediate School District does not focus on generating profits as commercial entities do. The Intermediate School District accomplishes its mission through innovative partnerships, technology, training, professional development and research.

The Intermediate School District offers a wide range of services focused on improving learning. The Intermediate School District serves twelve local public school districts, along with nonpublic, charter schools and other school districts outside of our county.

Created by State legislation in 1962 to serve local schools and act as a liaison between them and the Michigan Department of Education, the Intermediate School District is one of 56 intermediate school districts in the state. The Intermediate School District is a shared-community resource, providing an extensive network of supportive service that helps families and local schools successfully grow preschoolers into graduates and lifelong learners.

Reporting the Intermediate School District's Most Significant Funds Fund Financial Statements

The Intermediate School District's fund financial statements provide detailed information about the most significant funds—not the district as a whole. Some funds are required to be established by State law and bond covenants. However, the Intermediate School District has established other funds to help it control and manage money for particular purposes. The governmental funds of the Intermediate School District use the following accounting approach:

The Intermediate School 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 the end of the year that are available for spending. They are reported using the modified accrual basis of accounting. This method measures cash and all other financial assets that can be readily 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 determine whether there are more or fewer financial resources that can be spent in the near future to finance the Intermediate School District's programs. The audited financial statements describe the relationship or differences between governmental activities reported in the fund financial statements and the district-wide financial statements in a reconciliation schedule.

Muskegon Area Intermediate School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2022

The Intermediate School District's Funds

The Intermediate School District uses funds to help control and manage money for specific purposes. Looking at funds helps the reader consider whether the Intermediate School District is being accountable for the resources taxpayers and others provide and may present greater insight into the Intermediate School District's overall financial health.

As the Intermediate School District completed this year, the governmental funds reported a combined fund balance of approximately \$19,605,000, which is an increase of approximately \$297,000 from 2020-21.

- The General Fund reflects a fund balance decrease of approximately \$250,000 from the prior year. Revenues increased by approximately 13.9% from prior year levels and expenditures increased by 16.3%. State and local revenues increased approximately \$4,258,000 from the prior year or 20.2%, and transfers out increased by approximately \$1.75 million or about 13.7%.
- In the Special Education Fund, the fund balance increased by approximately \$131,000 to about \$1,120,500. Revenues increased 6.7% while expenditures increased by 6.5% in comparison with the prior year.
- The Vocational Education Fund reflects a fund balance increase of about \$333,000. Revenues increased by 5.1% and expenditures increased by 8.5%. Transfers out increased by 41.3%.
- In September 2002, voters approved a 1.0 mill tax levy for the new Muskegon Area Career Tech Center located on the Muskegon Community College campus. This countywide program began administrative operations in October 2002. In 2013, the Muskegon Area Intermediate School District finalized purchase of the facility from Muskegon Community College. MAISD has established a CTC Capital Project Fund for future facility needs.
- Other governmental funds held by the Intermediate School District include the Food Service Fund, and MAISD General Capital Project Fund. The School Activity Fund was added in 2020-21 fiscal year in response to GASB Statement Number 84 addressing fiduciary activities. Previously, these activities were reported in a fiduciary fund type.

Muskegon Area Intermediate School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2022

The Intermediate School District as a Whole

The statement of net position provides the perspective of the Intermediate School District as a whole. Table 1 provides a summary of the Intermediate School District's net position as of June 30, 2022, with comparative information as of June 30, 2021.

Table 1

| | 2020-21 Governmental Activities (in millions) | 2021-22 Governmental Activities (in millions) |
|---|--|--|
| Assets | | |
| Current and other assets | \$ 36.8 | \$ 36.7 |
| Capital assets – Net of accumulated depreciation | 20.7 | 20.9 |
| Total Assets | <u>57.5</u> | <u>57.7</u> |
| Deferred outflows of resources | 26.3 | 20.1 |
| Total Assets and deferred outflow of resources | <u>83.8</u> | <u>77.8</u> |
| Liabilities | | |
| Current liabilities | 17.6 | 17.4 |
| Long-term liabilities | 84.2 | 55.2 |
| Total Liabilities | <u>101.8</u> | <u>72.6</u> |
| Deferred inflows of resources | 11.7 | 32.5 |
| Total Liabilities and deferred inflows of resources | <u>113.5</u> | <u>105.1</u> |
| Net Position | | |
| Net investment in property and equipment | 20.5 | 20.7 |
| Unrestricted | (50.2) | (48.0) |
| Total Net Position | <u>\$ (29.7)</u> | <u>\$ (27.3)</u> |

The aforementioned analysis focuses on the net position (see Table 1). The adoptions of GASB Statements 68 and 75 in the past few years have significantly affected the net position of the Intermediate School District. The estimated portion of the school employees' retirement deficit (pension and benefits) is now recognized on all public school financial statements. The change in net position (see Table 2) of the Intermediate School District's governmental activities is discussed below. The District's net position was (\$27,302,061) at June 30, 2022. Capital assets, net of related debt compares the original cost, less accumulated depreciation of the Intermediate School District's capital assets to long-term debt used to finance the acquisition of those assets.

Muskegon Area Intermediate School District

Management's Discussion and Analysis

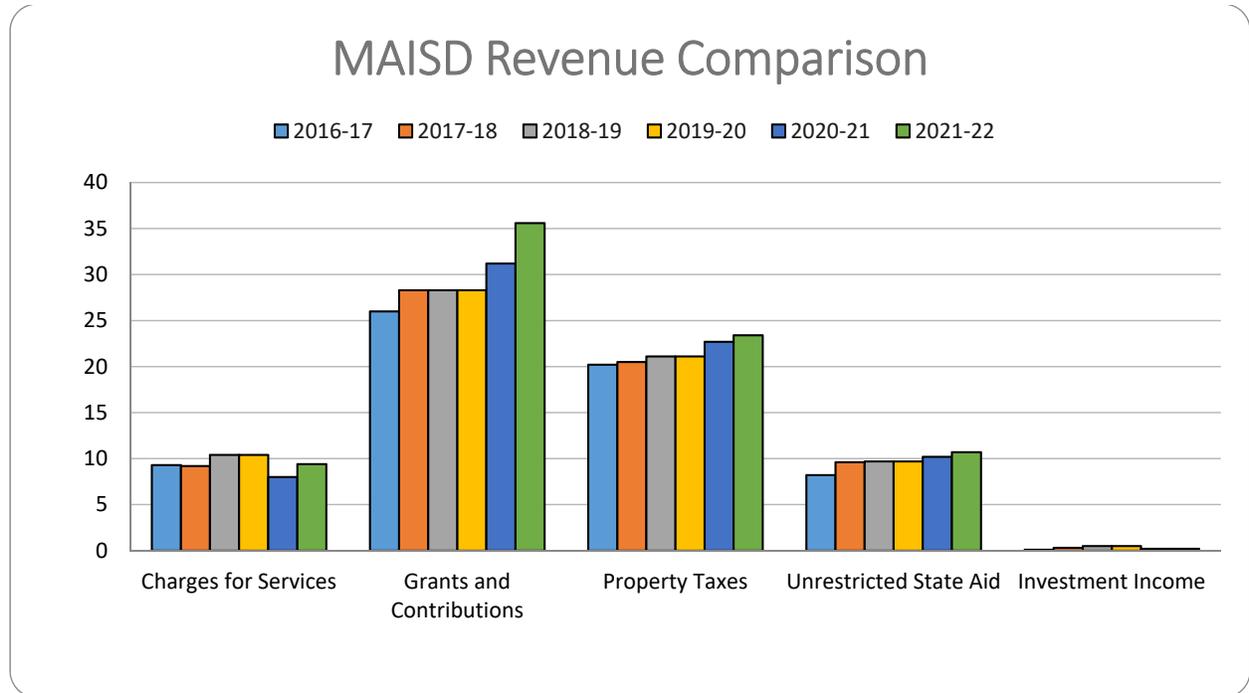
For the Fiscal Year Ended June 30, 2022

The results of this year's operations for the Intermediate School District as a whole are reported in the statement of activities (see Table 2), which shows the changes in net position for the years ended June 30, 2021 and 2022.

Table 2

| | 2020-21 Governmental Activities (in millions) | 2021-22 Governmental Activities (in millions) |
|-----------------------------|--|--|
| Revenue | | |
| Program revenue | | |
| Charges for services | \$ 8.0 | \$ 9.4 |
| Grants and contributions | 31.2 | 35.6 |
| General revenue | | |
| Property taxes | 22.7 | 23.4 |
| Unrestricted state aid | 10.2 | 10.7 |
| Investment and other income | 0.2 | 0.2 |
| Total Revenue | \$ 72.3 | \$ 79.3 |

Table 2a



Total Revenue by Fiscal Year:

2021-22 - \$79.3 Million

2020-21 - \$72.3 Million

2019-20 - \$69.9 Million

2018-19 - \$70.2 Million

2017-18 - \$67.9 Million

Muskegon Area Intermediate School District

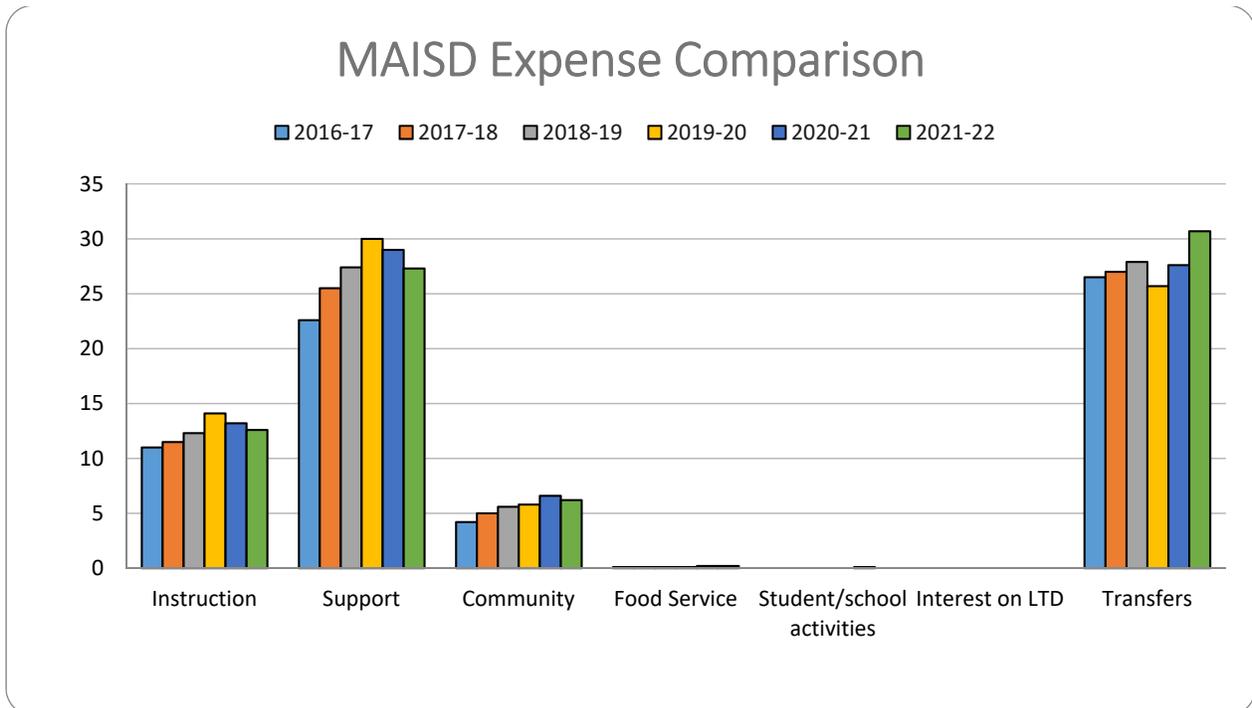
Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2022

Table 2 (cont'd)

| Function/Program Expenses | 2020-21 Governmental Activities (in millions) | 2021-22 Governmental Activities (in millions) |
|----------------------------|--|--|
| Instruction | \$ 13.2 | \$ 12.6 |
| Support services | 29.0 | 27.3 |
| Community services | 6.6 | 6.2 |
| Food services | 0.2 | 0.2 |
| Student/school activities | 0.0 | 0.0 |
| Interest on long-term debt | 0.0 | 0.0 |
| Inter-district transfers | 27.6 | 30.7 |
| Total Expenses | 76.6 | 77.0 |
| Change in net position | (4.3) | 2.3 |
| Beginning net position | (25.4) | (29.7) |
| Ending net position | \$ (29.7) | \$ (27.3) |

Table 2b



Total Expenses by Fiscal Year:

2021-22 - \$77.0 Million

2020-21 - \$76.6 Million

2019-20 - \$75.7 Million

2018-19 - \$73.2 Million

2017-18 - \$69.1 Million

Muskegon Area Intermediate School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2022

As reported in the statement of activities, the cost of governmental activities this year was \$77.0 million. Certain activities were partially funded by those who benefited from the programs of \$9.4 million or by other governments and organizations that subsidized certain programs with grants and categorical aid of \$35.6 million. The Muskegon Area Intermediate School District paid for the remaining "public benefit" portion with \$23.4 million in property tax revenue, \$10.7 million in unrestricted state aid, and with \$0.2 million in other revenues, such as interest income. Additionally, the Muskegon Area Intermediate School District experienced an increase in net position of \$2.3 million.

The net cost shows the financial burden that was placed on the Muskegon Area Intermediate School District taxpayers and on the State. Since property taxes for operations and unrestricted state aid constitute a major part of the Intermediate School District's operating revenue sources, the Board of Education and Administration must annually evaluate the needs of the Intermediate School District and the local districts it serves and balances those needs with available tax revenues and unrestricted state aid revenue.

Governmental Fund Budgetary Highlights

Over the course of the fiscal year, the Intermediate School District revises its budget as we attempt to deal with changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in the required supplemental information of these financial statements. Material variances from the final amended budgets are below.

- **General Fund:** Deferral of multiple revenue sources caused much of the overall budget variance. Multi-year flow-through grants such as Head Start (federal) and Great Start Readiness Program (state) are budgeted for the full award, but are not fully spent within the fiscal year. Similar results were experienced in both Project Safe (federal) and Section 31n Mental Health (state). Starting up new programs during the past several years and dealing with the COVID partial shutdown proved challenging. As a result, several of these programs have unspent revenue to be carried forward into future years. Several local grant sources were also deferred and contributed to similar budget variances in 2021-22. Grants and projects such as these have an impact on both revenue and expenditures, as budgets end up underspent and funding often carries over into the following fiscal year. Several items contributed to the spending deficit in the general fund budget in 2021-22. First was the implementation of Muskegon County Virtual Academy, an innovative program that brought remote learning opportunities to K-12 students countywide. MAISD experienced slightly higher than expected startup costs in the initial year. Second was the expenditure for running the May 2022 special education millage election, which was fully funded through the MAISD budget.

Muskegon Area Intermediate School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2022

- **Special Education Fund:** The federal IDEA multi-year flow-through grants are budgeted for the full awards but are often not spent by the local school districts within that fiscal year. Similar unspent Medicaid funds contributed to lower than expected local revenue and outgoing inter-district transfers and will be carried forward for future years. Final budget adjustments attempted to take the continued impact of unspent funds into consideration as we emerged from the more restrictive COVID environment to something more resembling our traditional normal environment.

- **Vocational Education Fund:** There were no significant revenue variances. Revenue came in about 0.7% over budgeted amounts. Expenditures came in under budget by approximately 3.8%. Instructional and pupil support spending came in about 8.7% under budget. This was the natural result of certain traditional programs and related costs ramping back up from the 2020-21 COVID-19 environment, as well as higher than expected employee turnover in the current job market. Unspent budget allocations exist in transportation, conferences, purchased services, supplies, and capital outlay alike. The final result was that planned deficit spending did not materialize and fund balance increased compared to last year's level.

Change in Fund Balance

| | General Fund | | Special Education Fund | | Vocational Ed Fund | |
|----------------|--------------|-------------------|------------------------|-------------------|--------------------|-------------------|
| | Fund Balance | Surplus (Deficit) | Fund Balance | Surplus (Deficit) | Fund Balance | Surplus (Deficit) |
| 2012-13 Actual | \$5,264,515 | \$240,400 | \$1,812,997 | \$183,022 | \$5,623,858 | \$206,698 |
| 2013-14 Actual | \$5,288,741 | \$24,226 | \$1,750,880 | (\$62,117) | \$5,861,664 | \$237,806 |
| 2014-15 Actual | \$5,229,602 | (\$59,139) | \$750,251 | (\$1,000,629) | \$6,234,690 | \$373,026 |
| 2015-16 Actual | \$5,296,109 | \$66,507 | \$956,900 | \$206,649 | \$6,428,827 | 194,137 |
| 2016-17 Actual | \$5,697,514 | \$401,405 | \$706,903 | (\$249,997) | \$6,674,746 | 245,919 |
| 2017-18 Actual | \$5,523,512 | (\$174,002) | \$974,410 | \$267,507 | \$2,762,327 | (\$3,912,419) |
| 2018-19 Actual | \$5,872,168 | \$348,656 | \$1,221,232 | \$246,822 | \$2,777,265 | \$14,938 |
| 2019-20 Actual | \$6,179,854 | \$307,686 | \$920,482 | (\$300,750) | \$2,776,616 | \$649 |
| 2020-21 Actual | \$6,675,779 | \$495,925 | \$989,582 | \$69,100 | \$3,287,869 | \$511,253 |
| 2021-22 Actual | \$6,426,094 | (\$249,685) | \$1,120,540 | \$130,958 | \$3,621,354 | \$333,485 |
| 2022-23 Budget | \$6,467,982 | \$41,888 | \$686,532 | (\$434,008) | \$2,883,531 | (\$737,823) |

Muskegon Area Intermediate School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2022

Capital Asset and Debt Administration

Capital Assets

At June 30, 2022, the Intermediate School District had \$36.6 million invested in capital assets. The net capital asset amount represents a net increase, including additions, deletions, and depreciation, of \$269,802 from last year, or 1.3%.

| | June 30, 2021 | June 30, 2022 |
|--|----------------------|----------------------|
| Land | \$ 1,330,387 | \$ 1,330,387 |
| Buildings & Improvements | 28,370,446 | 29,264,804 |
| Right to use - buildings | - | 150,611 |
| Furniture and equipment | 4,873,154 | 5,151,938 |
| Transportation equipment | 2,003,776 | 2,003,776 |
| Right to use - transportation equipment | - | 54,451 |
| | <hr/> | <hr/> |
| Total capital assets | 34,336,830 | 36,625,580 |
| | <hr/> | <hr/> |
| Less accumulated depreciation/amortization | 15,909,756 | 17,018,158 |
| | <hr/> | <hr/> |
| Net Capital Assets | \$ 20,668,007 | \$ 20,937,809 |

This year's \$1.8 million increase in buildings and improvements largely relates to the Wesley HVAC update and renovation. Capital asset additions in 2021-22 totaling about \$2.3 million, less depreciation of about \$1.1 million, less fully-depreciated disposals of \$5,715, less disposal of Career Tech Center project houses which were not depreciated, lead to a net increase of \$269,802. Additions include building and improvements, vehicles, and furniture and equipment. For the first time in 2021-22 with the implementation of GASB 87, the District also has right to use assets for both buildings and vehicles.

Debt Administration

At June 30, 2022, Muskegon Area Intermediate School District had compensated absences and post-employment benefits with an estimated present value of \$586,496. Capital lease agreements and lease obligations make up the remaining balance of \$216,269.

| | June 30, 2021 | June 30, 2022 |
|---|----------------------|----------------------|
| Other obligations | \$ 115,673 | \$ 216,269 |
| Compensated absences and post-employment benefits | 778,519 | 586,496 |
| | <hr/> | <hr/> |
| Total Outstanding Debt | \$ 894,192 | \$ 802,765 |

Muskegon Area Intermediate School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2022

The State limits the amount of general obligation debt that intermediate school districts can issue without a vote of the electors. The debt limit is limited to 1/9 of 1% of the state equalized valuation of the taxable property within the intermediate school district. If the intermediate school district issues "qualified debt", i.e., debt backed by the State of Michigan, such obligations are not subject to this debt limit.

Economic Factors and Next Year's Budgets

As compared to the local school districts within the Muskegon Area Intermediate School District, the Intermediate School District is more dependent on property tax revenue and less dependent on state aid. The tax base of Muskegon County experienced an increase of 6.6% to \$5,321,478,399 for 2022-23. Muskegon Area Intermediate School District exists to provide services to local school districts, their staff, and the students they serve. Local district needs determine the nature and focus of our service efforts. The challenges our local districts currently face include: a general decline in student population, increased professional development needs due to legislation requirements, changes in special education laws and increased emphasis on early identification of children with special needs, and the loss of experienced teaching and administrative staff, to name just a few. All of these factors have an economic impact and directly affect the scope of our service effort.

Districts along with Muskegon Area Intermediate School District will continue to face challenges in educational funding.

Contacting the School District's Financial Management

This financial report is designed to provide a general overview of the Muskegon Area Intermediate School District's finances for all those with an interest in the Intermediate School District's finances. If you have questions about this report or need additional information, contact Jason Helsen, Associate Superintendent for Administrative Services, 630 Harvey Street, Muskegon, MI 49442, phone 231-767-7207, fax 231-773-3498 or Email jhelsen@muskegonisd.org.

Muskegon Area Intermediate School District
STATEMENT OF NET POSITION
June 30, 2022

| | Governmental activities |
|---|--------------------------------|
| ASSETS | |
| Current assets | |
| Cash and cash equivalents | \$ 19,644,180 |
| Investments | 6,352,275 |
| Receivables | 443,639 |
| Due from other governmental units | 9,619,765 |
| Prepaid items | 678,676 |
| Total current assets | 36,738,535 |
| Noncurrent assets | |
| Capital assets, net | |
| Nondepreciable/amortizable | 1,330,387 |
| Depreciable/amortizable | 19,607,422 |
| Total noncurrent assets | 20,937,809 |
| Total assets | 57,676,344 |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Related to other postemployment benefits | 5,668,495 |
| Related to pensions | 14,409,828 |
| Total deferred outflows of resources | 20,078,323 |
| Total assets and deferred outflows of resources | 77,754,667 |
| LIABILITIES | |
| Current liabilities | |
| Accounts payable and accrued liabilities | 3,781,742 |
| Due to other governmental units | 9,065,434 |
| Unearned revenue | 4,268,895 |
| Other obligations, due within one year | 237,800 |
| Total current liabilities | 17,353,871 |
| Noncurrent liabilities | |
| Other obligations, less amounts due within one year | 564,965 |
| Net other postemployment benefits liability | 3,634,217 |
| Net pension liability | 50,972,559 |
| Total noncurrent liabilities | 55,171,741 |
| Total liabilities | 72,525,612 |
| DEFERRED INFLOWS OF RESOURCES | |
| Related to other postemployment benefits | 12,447,903 |
| Related to pensions | 20,083,213 |
| Total deferred inflows of resources | 32,531,116 |
| Total liabilities and deferred inflows of resources | 105,056,728 |
| NET POSITION | |
| Net investment in capital assets | 20,721,540 |
| Unrestricted | (48,023,601) |
| Total net position | \$ (27,302,061) |

The accompanying notes are an integral part of this statement.

Muskegon Area Intermediate School District
STATEMENT OF ACTIVITIES
For the year ended June 30, 2022

| <i>Functions/Programs</i> | Program Revenue | | | Net (Expense) Revenue and Changes in Net Position |
|--|----------------------|-------------------------|---------------------------------------|--|
| | Expenses | Charges for services | Operating grants and contributions | Governmental activities |
| Governmental activities | | | | |
| Instruction | \$ 12,560,854 | \$ 6,926,409 | \$ 2,535,807 | \$ (3,098,638) |
| Support services | 27,353,012 | 2,412,587 | 9,204,226 | (15,736,199) |
| Community services | 6,224,470 | 4,721 | 6,509,738 | 289,989 |
| Food services | 178,582 | 1,218 | 179,497 | 2,133 |
| Student/school activities | 5,473 | - | 18,755 | 13,282 |
| Interest on long-term debt | 7,807 | - | - | (7,807) |
| Interdistrict transfers | 30,668,448 | 6,720 | 17,195,807 | (13,465,921) |
| Total governmental activities | \$ 76,998,646 | \$ 9,351,655 | \$ 35,643,830 | (32,003,161) |
| General revenues | | | | |
| Property taxes | | | | 23,421,026 |
| Grants and contributions not restricted to specific programs | | | | 10,690,285 |
| Investment earnings | | | | 78,608 |
| Miscellaneous | | | | 167,137 |
| Total general revenues | | | | 34,357,056 |
| Change in net position | | | | 2,353,895 |
| Net position at beginning of year | | | | (29,655,956) |
| Net position at end of year | | | | \$ (27,302,061) |

The accompanying notes are an integral part of this statement.

Muskegon Area Intermediate School District
BALANCE SHEET
 Governmental Funds
 June 30, 2022

| | <u>Special revenue</u> | | | | | |
|--|------------------------|--------------------------|-----------------------------|---|---------------------------------|---------------------------------|
| | <u>General Fund</u> | <u>Special Education</u> | <u>Vocational Education</u> | <u>Career Tech Center Capital Project</u> | <u>Other governmental funds</u> | <u>Total governmental funds</u> |
| ASSETS | | | | | | |
| Cash and cash equivalents | \$ 8,007,818 | \$ 3,704,781 | \$ 3,590,172 | \$ 2,885,338 | \$ 1,456,071 | \$ 19,644,180 |
| Investments | 1,002,192 | 1,002,192 | 500,431 | 2,733,907 | 1,113,553 | 6,352,275 |
| Receivables | 411,068 | 21,669 | 10,428 | - | 474 | 443,639 |
| Due from other governmental units | 4,403,451 | 4,631,377 | 557,411 | - | 27,526 | 9,619,765 |
| Due from other funds | 185,750 | - | 47,124 | 333,485 | 32,964 | 599,323 |
| Prepaid items | 636,953 | 19,310 | 2,413 | - | 20,000 | 678,676 |
| Total assets | \$ 14,647,232 | \$ 9,379,329 | \$ 4,707,979 | \$ 5,952,730 | \$ 2,650,588 | \$ 37,337,858 |
| LIABILITIES | | | | | | |
| Accounts payable | \$ 370,892 | \$ 357,803 | \$ 135,994 | \$ 7,000 | \$ 154,168 | \$ 1,025,857 |
| Accrued liabilities | 1,160,012 | 980,626 | 615,247 | - | - | 2,755,885 |
| Due to other governmental units | 2,413,156 | 6,650,379 | 1,899 | - | - | 9,065,434 |
| Due to other funds | 84,790 | 193,949 | 333,485 | - | 4,499 | 616,723 |
| Unearned revenue | 4,192,288 | 76,032 | - | - | 575 | 4,268,895 |
| Total liabilities | 8,221,138 | 8,258,789 | 1,086,625 | 7,000 | 159,242 | 17,732,794 |
| FUND BALANCES | | | | | | |
| Nonspendable | | | | | | |
| Prepaid items | 636,953 | 19,310 | 2,413 | - | 20,000 | 678,676 |
| Restricted | | | | | | |
| Special education | - | 1,101,230 | - | - | - | 1,101,230 |
| Vocational education | - | - | 3,618,941 | - | - | 3,618,941 |
| Food Service | - | - | - | - | 57,397 | 57,397 |
| Committed | | | | | | |
| Capital projects | - | - | - | 5,945,730 | 2,316,756 | 8,262,486 |
| Student/school activities | - | - | - | - | 97,193 | 97,193 |
| Unassigned | 5,789,141 | - | - | - | - | 5,789,141 |
| Total fund balances | 6,426,094 | 1,120,540 | 3,621,354 | 5,945,730 | 2,491,346 | 19,605,064 |
| Total liabilities, deferred inflows of | | | | | | |
| Total liabilities and fund balances | \$ 14,647,232 | \$ 9,379,329 | \$ 4,707,979 | \$ 5,952,730 | \$ 2,650,588 | \$ 37,337,858 |

The accompanying notes are an integral part of this statement.

Muskegon Area Intermediate School District
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET POSITION**
 June 30, 2022

| | | |
|--|---------------------|-------------------------------|
| Total fund balances—governmental funds | | \$ 19,605,064 |
| 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 | \$ 37,955,967 | |
| Accumulated depreciation/amortization | <u>(17,018,158)</u> | 20,937,809 |
| 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 | 5,668,495 | |
| Deferred inflows of resources - related to other postemployment benefits | (12,447,903) | |
| Deferred outflows of resources - related to pensions | 14,409,828 | |
| Deferred inflows of resources - related to pensions | <u>(20,083,213)</u> | (12,452,793) |
| Long-term obligations in governmental activities are not due and payable in the current period and are not reported in the governmental funds. | | |
| | | (55,409,541) |
| Internal service fund balances are not part of the governmental funds, but are reported in the Statement of Net Position. | | |
| | | <u>17,400</u> |
| Net position of governmental activities | | <u>\$ (27,302,061)</u> |

The accompanying notes are an integral part of this statement.

Muskegon Area Intermediate School District
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 Governmental Funds
 For the year ended June 30, 2022

| | <u>Special revenue</u> | | | Career Tech Center Capital Project | Other governmental funds | Total governmental funds |
|---|------------------------|--------------------------|---------------------------------|---|---|---|
| | <u>General Fund</u> | <u>Special Education</u> | <u>Vocational Education</u> | | | |
| REVENUES | | | | | | |
| Local sources | | | | | | |
| Property taxes | \$ 7,198,712 | \$ 11,305,801 | \$ 4,916,513 | \$ - | \$ - | \$ 23,421,026 |
| Medicaid reimbursement | (17,155) | 1,091,891 | - | - | - | 1,074,736 |
| Investment earnings | 31,900 | 26,363 | 10,020 | 7,254 | 3,071 | 78,608 |
| Fees and charges | 3,603,577 | 4,830,833 | - | - | - | 8,434,410 |
| Other | 986,606 | 46,900 | 280,290 | - | 19,973 | 1,333,769 |
| Total local sources | 11,803,640 | 17,301,788 | 5,206,823 | 7,254 | 23,044 | 34,342,549 |
| State sources | 13,506,546 | 8,990,428 | 2,171,210 | - | (526) | 24,667,658 |
| Federal sources | 11,501,398 | 8,747,401 | 383,901 | - | 180,023 | 20,812,723 |
| Total revenues | 36,811,584 | 35,039,617 | 7,761,934 | 7,254 | 202,541 | 79,822,930 |
| EXPENDITURES | | | | | | |
| Current | | | | | | |
| Instruction | 2,942,453 | 6,624,113 | 3,738,391 | - | - | 13,304,957 |
| Support services | 15,904,805 | 10,299,685 | 2,989,092 | - | - | 29,193,582 |
| Community services | 6,131,587 | 197 | - | - | - | 6,131,784 |
| Food services | - | - | - | - | 178,582 | 178,582 |
| Student/school activities | - | - | - | - | 5,473 | 5,473 |
| Outgoing transfers and other | 14,292,345 | 16,338,331 | - | - | - | 30,630,676 |
| Debt service | | | | | | |
| Principal | 64,965 | - | - | - | - | 64,965 |
| Interest and other charges | 7,807 | - | - | - | - | 7,807 |
| Capital outlay | 150,610 | - | 67,838 | 98,234 | 207,593 | 524,275 |
| Total expenditures | 39,494,572 | 33,262,326 | 6,795,321 | 98,234 | 391,648 | 80,042,101 |
| Excess (deficiency) of revenues over (under) expenditures | (2,682,988) | 1,777,291 | 966,613 | (90,980) | (189,107) | (219,171) |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfers in | 2,258,306 | - | - | 333,485 | 33,412 | 2,625,203 |
| Transfers out | (32,964) | (1,646,333) | (941,412) | - | (4,494) | (2,625,203) |
| Lease proceeds | 165,561 | - | - | - | - | 165,561 |
| Proceeds from sale of capital assets | 42,400 | - | 308,284 | - | - | 350,684 |
| Total other financing sources (uses) | 2,433,303 | (1,646,333) | (633,128) | 333,485 | 28,918 | 516,245 |
| Net change in fund balances | (249,685) | 130,958 | 333,485 | 242,505 | (160,189) | 297,074 |
| Fund balances at beginning of year | 6,675,779 | 989,582 | 3,287,869 | 5,703,225 | 2,651,535 | 19,307,990 |
| Fund balances at end of year | \$ 6,426,094 | \$ 1,120,540 | \$ 3,621,354 | \$ 5,945,730 | \$ 2,491,346 | \$ 19,605,064 |

The accompanying notes are an integral part of this statement.

Muskegon Area Intermediate School District
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**
 For the year ended June 30, 2022

Net change in fund balances—total governmental funds \$ 297,074

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/amortized over their estimated useful lives.

| | | |
|-----------------------------------|------------------|---------|
| Depreciation/amortization expense | \$(1,114,117) | |
| Capital outlay | <u>1,606,108</u> | 491,991 |

Governmental funds report the entire proceeds from the sale of capital assets as revenue, but the Statement of Activities reports only the gain or loss on the sale or impairment of capital assets. (222,189)

Lease proceeds are other financing sources in the governmental funds, but the proceeds increase long-term debt in the Statement of Net Position. (165,561)

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. 64,965

Compensated absences and other post-employment benefits 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. 192,023

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. 2,993,269

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. (1,297,677)

Change in net position of governmental activities \$ 2,353,895

The accompanying notes are an integral part of this statement.

Muskegon Area Intermediate School District
STATEMENT OF NET POSITION
Internal Service Fund
June 30, 2022

ASSETS

Due from other funds \$ 17,400

LIABILITIES

-

NET POSITION

Unrestricted \$ 17,400

The accompanying notes are an integral part of this statement.

Muskegon Area Intermediate School District
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
Internal Service Fund
For the year ended June 30, 2022

| | |
|-----------------------------------|-------------------------|
| REVENUES | |
| Charges for services | \$ - |
| EXPENSES | |
| Costs of services | <u>-</u> |
| Change in net position | - |
| Net position at beginning of year | <u>17,400</u> |
| Net position at end of year | <u><u>\$ 17,400</u></u> |

The accompanying notes are an integral part of this statement.

Muskegon Area Intermediate School District
STATEMENT OF CASH FLOWS
Internal Service Fund
For the year ended June 30, 2022

| | | |
|---|-----------|---|
| Cash flows from operating activities | | |
| Payments for premiums and claims | \$ | - |
| Payments from other funds to pay down due from other funds | | - |
| | | <hr style="border-top: 1px solid black;"/> |
| Net increase in cash | | - |
| | | |
| Cash balances at beginning of year | | <hr style="border-top: 1px solid black;"/> |
| | | - |
| Cash balances at end of year | \$ | - |
| | | <hr style="border-top: 3px double black;"/> |
| | | |
| Cash flows from operating activities | | |
| Change in net position | \$ | - |
| Adjustments to reconcile change in net position to net cash provided by operating activities | | |
| Decrease in operating assets | | |
| Due from other funds | | - |
| | | <hr style="border-top: 1px solid black;"/> |
| Net cash provided by operating activities | \$ | - |
| | | <hr style="border-top: 3px double black;"/> |

The accompanying notes are an integral part of this statement.

Muskegon Area Intermediate School District
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Muskegon Area Intermediate School District (School District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government 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 five-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, if any. 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 and internal service funds. Separate financial statements are provided for governmental funds and internal service funds, even though the latter is excluded from the government-wide financial statements.

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

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

The School District reports the following major governmental funds:

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

The Special Education Fund is used to account for funds legally restricted to special education programs.

The Vocational Education Fund is used to account for funds legally restricted to vocational education programs.

The Career Tech Center Capital Project Fund is used to account for funds committed to career tech center education programs.

Muskegon Area Intermediate School District
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Additionally, the School District reports the following fund types:

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

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

Internal service funds account for unemployment costs provided to various departments and funds of the School District, on a cost reimbursement basis.

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

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

Measurement Focus and Basis of Accounting

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

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

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

Muskegon Area Intermediate School District
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Measurement Focus and Basis of Accounting—Continued

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

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

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

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

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

The internal service funds are reported using the economic resources measurement focus and the accrual basis of accounting.

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

Cash and Investments

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

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

Muskegon Area Intermediate School District
NOTES TO FINANCIAL STATEMENTS
 June 30, 2022

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

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

Cash and Investments—Continued

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

Inventories and Prepaid Items

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

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

Capital Assets

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

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

Land and construction in progress are not depreciated. Right to use assets of the District are amortized using the straight-line method over the shorter of the lease period or estimate useful lives. 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 | 20-50 |
| Right to use - buildings | 2-5 |
| Furniture and equipment | 5-20 |
| Transportation equipment | 5-10 |
| Right to use - equipment | 5 |

Muskegon Area Intermediate School District
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

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

Long-term Obligations

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

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

Defined Benefit Plan

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

Deferred Outflows/Inflows of Resources

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

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

Net Position Flow Assumption

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

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

Muskegon Area Intermediate School District
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

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

Fund Balance Flow Assumptions

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

Fund Balance Policies

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

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

Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as committed. The Board of Education may 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

The District is a lessee for several noncancelable leases of buildings and equipment. The District recognizes a lease liability and an intangible right-to-use lease asset in the government-wide financial statements for each building and/or equipment lease. The District recognizes lease liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Muskegon Area Intermediate School District
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

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

Leases—Continued

Key estimates and judgements include how the District determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

The District uses its estimated incremental borrowing rate as the discount rate for leases.

The lease term includes the noncancelable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The District monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Lease assets are reported with other capital assets and lease 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 July 1 and 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 dates are September 14 and 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.

Muskegon Area Intermediate School District
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Revenues and Expenditures/Expenses—Continued

Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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. Local School District boards approve or disapprove the annual General Fund and special revenue fund budgets by board resolution.
3. Public hearings are conducted to obtain taxpayer comments.
4. 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, Vocational Education Fund and Special Education Fund are noted in the required supplementary information section.
5. The Associate 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.
6. Formal budgetary integration is employed as a management control device during the year.
7. The budget is amended during the year with supplemental appropriations, the last one approved prior to June 30, 2022.

Muskegon Area Intermediate School District
NOTES TO FINANCIAL STATEMENTS
 June 30, 2022

NOTE C—DEPOSITS AND INVESTMENTS

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

| Investment Type | Fair value | Weighted average maturity (Days) | Standard & Poor's rating | Percent |
|-------------------------------------|----------------------------|---|---|-----------------------|
| MILAF + Cash Mgmt Class | \$ 771,846 | 25 | AAAm | 12.15% |
| MILAF + Max Class | 1,574,255 | 25 | AAAm | 24.78% |
| MILAF Term | <u>4,006,174</u> | 116 | AAAkf | <u>63.07%</u> |
| Total fair value | <u>\$ 6,352,275</u> | | | <u>100.00%</u> |
| Portfolio weighted average maturity | | <u>82</u> | | |

Interest rate risk

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

Credit risk

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

Concentration of credit risk

In accordance with its investment policy, the School District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the School District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Muskegon Area Intermediate School District
NOTES TO FINANCIAL STATEMENTS
 June 30, 2022

NOTE C—DEPOSITS AND INVESTMENTS—Continued

Custodial credit risk - deposits

In the case of deposits, this is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. As of June 30, 2022, \$20,023,669 of the School District's bank balance of \$20,773,669 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk - 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. The School District will minimize custodial credit risk by limiting investment to the types of securities allowed by law and prequalifying the financial institutions, broker/dealer, intermediaries and advisors with which the School District will do business.

Foreign currency risk

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

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. MILAF is not regulated nor is it registered with the SEC. The MILAF (MAX Class) fund requires notification of redemptions prior to 14 days to avoid penalties. These funds are not subject to the fair value disclosures.

| | Amortized Cost |
|-------------------------|---------------------------|
| MILAF + Cash Mgmt Class | \$ 771,846 |
| MILAF + Max Class | 1,574,255 |
| MILAF Term | 4,006,174 |
| | \$ 6,352,275 |

Muskegon Area Intermediate School District
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE D—CAPITAL ASSETS

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

| | <u>Balance</u> <u>July 1, 2021</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance</u> <u>June 30, 2022</u> |
|---|---------------------------------------|---------------------|-------------------|--|
| Governmental activities: | | | | |
| Capital assets, not being depreciated/amortized: | | | | |
| Land | \$ 1,330,387 | \$ - | \$ - | \$ 1,330,387 |
| Construction in progress | 688,357 | - | 688,357 | - |
| Total capital assets, not being depreciated/amortized | 2,018,744 | - | 688,357 | 1,330,387 |
| Capital assets, being depreciated/amortized: | | | | |
| Buildings and improvements | 27,682,089 | 1,804,904 | 222,189 | 29,264,804 |
| Right to use - buildings | - | 150,611 | - | 150,611 |
| Furniture and equipment | 4,873,154 | 284,499 | 5,715 | 5,151,938 |
| Transportation equipment | 2,003,776 | - | - | 2,003,776 |
| Right to use - transportation equipment | - | 54,451 | - | 54,451 |
| Total capital assets, being depreciated/amortized | 34,559,019 | 2,294,465 | 227,904 | 36,625,580 |
| Less accumulated depreciation/amortization: | | | | |
| Buildings and improvements | 10,737,397 | 691,496 | - | 11,428,893 |
| Right to use - buildings | - | 51,180 | - | 51,180 |
| Furniture and equipment | 3,718,409 | 223,725 | 5,715 | 3,936,419 |
| Transportation equipment | 1,453,950 | 144,994 | - | 1,598,944 |
| Right to use - transportation equipment | - | 2,722 | - | 2,722 |
| Total accumulated depreciation/amortization | 15,909,756 | 1,114,117 | 5,715 | 17,018,158 |
| Total capital assets, being depreciated/amortized, net | 18,649,263 | 1,180,348 | 222,189 | 19,607,422 |
| Capital assets, net | \$20,668,007 | \$ 1,180,348 | \$ 910,546 | \$ 20,937,809 |

Depreciation/amortization

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

| | |
|--------------------|---------------------|
| Instruction | \$ 484,152 |
| Support services | 520,970 |
| Community services | 108,995 |
| | <u>\$ 1,114,117</u> |

Muskegon Area Intermediate School District
NOTES TO FINANCIAL STATEMENTS
 June 30, 2022

NOTE E—INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

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

Due to/from other funds:

| <u>Receivable fund</u> | <u>Payable fund</u> | <u>Amount</u> |
|---------------------------|------------------------------------|--------------------------|
| General Fund | Special Education Fund | \$ 181,251 |
| General Fund | Other governmental funds | 4,499 |
| Vocational Education Fund | General Fund | 32,964 |
| Vocational Education Fund | Career Tech Center Capital Project | 333,485 |
| Other governmental funds | General Fund | 47,124 |
| Internal Service Fund | General Fund | 4,702 |
| Internal Service Fund | Special Education Fund | 12,698 |
| | | <u><u>\$ 616,723</u></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 Special Education Fund, Vocational Education Fund and the Food Service Fund transferred \$1,645,885, \$607,927 and \$4,494, respectively, to the General Fund to cover allowable indirect costs. The General Fund transferred \$32,964 to the Capital Project Fund for future capital outlay. The Special Education Fund transferred \$448 to the Food Service Fund to finance operations. The Vocation Education Fund transferred \$333,485 to the Career Tech Center Capital Project Fund for future capital outlay.

NOTE F—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 capital leases.

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

| | <u>Balance</u> <u>July 1, 2021</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance</u> <u>June 30, 2022</u> | <u>Due within</u> <u>one year</u> |
|---|---------------------------------------|--------------------------|--------------------------|--|--------------------------------------|
| Governmental activities | | | | | |
| Notes from direct borrowings and direct placements | \$ 115,673 | \$ 165,561 | \$ 64,965 | \$ 216,269 | \$ 76,800 |
| Compensated absences | 778,519 | 183,220 | 375,243 | 586,496 | 161,000 |
| | <u><u>\$ 894,192</u></u> | <u><u>\$ 348,781</u></u> | <u><u>\$ 440,208</u></u> | <u><u>\$ 802,765</u></u> | <u><u>\$ 237,800</u></u> |

Muskegon Area Intermediate School District
NOTES TO FINANCIAL STATEMENTS
 June 30, 2022

NOTE F—LONG-TERM OBLIGATIONS—Continued

The governmental activity notes from direct borrowings and direct placements are comprised of capital leases and lease obligations that are non-cancellable by the School District and is secured by the equipment or building. The capital leases include late payment charges of 1.5 percent per month if any payment is not made within ten days after its original due date.

Notes from direct borrowings and direct placements consist of the following:

| | <u>Interest Rate</u> | <u>Date of Maturity</u> | <u>Balance</u> |
|--|--------------------------|-----------------------------|--------------------------|
| Governmental activities: | | | |
| Notes from direct borrowings and direct placements | | | |
| Capital lease - copiers | 4.794% | August 2026 | \$ 53,218 |
| Capital lease - copiers | 4.794% | August 2026 | 45,015 |
| Lease obligation - classrooms | 3.250% | June 2023 | 2,929 |
| Lease obligation - classrooms | 3.250% | June 2024 | 8,969 |
| Lease obligation - classrooms | 3.250% | June 2024 | 4,803 |
| Lease obligation - classrooms | 3.250% | June 2024 | 59,756 |
| Lease obligation - classrooms | 3.250% | June 2024 | 27,082 |
| Lease obligation - transportation equipment | 9.100% | April 2027 | 11,827 |
| Lease obligation - transportation equipment | 9.100% | March 2027 | 2,670 |
| | | | <u><u>\$ 216,269</u></u> |

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

| <u>Year ending June 30,</u> | <u>Governmental Activities</u> | |
|---------------------------------|---|-------------------------|
| | <u>Notes from Direct Borrowings and Direct Placements</u> | |
| | <u>Principal</u> | <u>Interest</u> |
| 2023 | \$ 76,800 | \$ 8,144 |
| 2024 | 76,800 | 5,062 |
| 2025 | 27,000 | 2,760 |
| 2026 | 28,500 | 1,299 |
| 2027 | 7,169 | 170 |
| | <u><u>\$ 216,269</u></u> | <u><u>\$ 17,435</u></u> |

Muskegon Area Intermediate School District
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE G—PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Michigan Public School Employees' Retirement System Plans

Plan Description

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

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.

Muskegon Area Intermediate School District
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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

Michigan Public School Employees' Retirement System Plans—Continued

Benefits Provided – Pension—Continued

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.

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.

Muskegon Area Intermediate School District
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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

Michigan Public School Employees' Retirement System Plans—Continued

Benefits Provided – Pension—Continued

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.

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.

Muskegon Area Intermediate School District
NOTES TO FINANCIAL STATEMENTS
 June 30, 2022

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

Michigan Public School Employees’ Retirement System Plans—Continued

Contributions – Pension and OPEB

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2020 valuation will be amortized over an 18-year period beginning October 1, 2020, and ending September 30, 2038.

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

Pension Contribution Rates

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

OPEB Contribution Rates

| <u>Benefit Structure</u> | <u>Member</u> | <u>Employer</u> |
|--------------------------|---------------|-----------------|
| Premium Subsidy | 3.0 % | 8.43 % |
| Personal Healthcare Fund | 0.0 | 7.57 |

The School District’s pension contributions for the year ended June 30, 2022 were equal to the required contribution total. Pension contributions were approximately \$7,331,900, including Section 147c contributions.

For the year ended June 30, 2022, the School District and employee defined contribution plan contributions were approximately \$294,400 and \$528,400, respectively.

The School District’s OPEB contributions for the year ended June 30, 2022 were equal to the required contribution total. OPEB contributions were approximately \$1,680,600.

Muskegon Area Intermediate School District
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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

Michigan Public School Employees’ Retirement System Plans—Continued

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

At June 30, 2022, the School District reported a liability of \$50,972,559 for its proportionate share of the net pension liability and a liability of \$3,303,306 for its proportionate share of the net OPEB liability.

The net pension and OPEB liabilities were measured as of September 30, 2021, and the total pension and OPEB liabilities used to calculate the net pension and OPEB liabilities were determined by an actuarial valuation rolled forward from September 30, 2020. The School District’s proportion of the net pension and OPEB liabilities was determined by dividing each employer’s statutorily required pension and OPEB contributions to the system during the measurement period by the percent of pension and OPEB contributions, respectively, required from all applicable employers during the measurement period. At September 30, 2021 and 2020, the School District’s pension proportion was 0.21530 and 0.20859 percent, respectively. At September 30, 2021 and 2020, the School District’s OPEB proportion was 0.21641 and 0.21252 percent, respectively.

For the year ended June 30, 2022, the School District recognized pension expense (benefit) of \$8,156,221 and OPEB expense (benefit) of \$(1,315,227).

At June 30, 2022, 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 | \$ 789,587 | \$ 300,168 | \$ - | \$ 9,429,052 |
| Changes of assumptions | 3,213,128 | - | 2,761,400 | 413,209 |
| Net difference between projected and actual earnings on plan investments | - | 16,387,514 | - | 2,489,761 |
| Changes in proportion and differences between School District contributions and proportionate share of contributions | 3,793,545 | 125,015 | 1,473,055 | 50,890 |
| State of Michigan Section 147c UAAL rate stabilization state aid payments subsequent to the measurement date | - | 3,270,516 | - | - |
| School District contributions subsequent to the measurement date | 6,613,568 | - | 1,368,336 | - |
| Total | \$ 14,409,828 | \$ 20,083,213 | \$ 5,602,791 | \$ 12,382,912 |

Muskegon Area Intermediate School District
NOTES TO FINANCIAL STATEMENTS
 June 30, 2022

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

Michigan Public School Employees’ Retirement System Plans—Continued

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

The School District contributions subsequent to the measurement date reported as deferred outflows of resources related to pensions and OPEB resulting from employer contributions subsequent to the measurement date, in the chart above, will be recognized as a reduction of the net pension liability and the net OPEB liability, respectively, in the year ended June 30, 2023. The State of Michigan Section 147c UAAL rate stabilization state aid payments subsequent to the measurement date reported as deferred inflows of resources will be recognized as revenue in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be recognized in expense as follows:

| Year ending June 30, | Pension | OPEB |
|---------------------------------|-----------------------|-----------------------|
| 2023 | \$ 232,841 | \$ (1,958,601) |
| 2024 | (1,719,280) | (1,858,644) |
| 2025 | (3,296,282) | (1,856,815) |
| 2026 | (4,233,716) | (1,768,022) |
| 2027 | - | (624,447) |
| Thereafter | - | (81,928) |
| | \$ (9,016,437) | \$ (8,148,457) |

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 include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Summary of Actuarial Assumptions

| | |
|--------------------------------------|--|
| Valuation date – | September 30, 2020 |
| Actuarial cost method – | Entry age, Normal |
| Wage Inflation Rate – | 2.75% |
| Investment rate of return – | 6.8% a year for the MIP and Basic plans 6.8% a year for the Pension Plus plan 6% a year for the Pension Plus 2 plan 6.95% a year for OPEB |
| Salary increases – | 2.75%-11.55%, including wage inflation at 2.75% |
| Cost-of-living pension adjustments – | 3% annual non-compounded for MIP members |
| Healthcare cost trend rate – | Pre-65: 7.75% Year 1 graded to 3.5% Year 15; 3% Year 120 Post-65: 5.25% Year 1 graded to 3.5% Year 15; 3% Year 120 |

Muskegon Area Intermediate School District
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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

Michigan Public School Employees' Retirement System Plans—Continued

Actuarial assumptions—Continued

Mortality Assumptions

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

Opt-Out Assumption

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

Survivor Coverage

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

Coverage Election at Retirement

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

Experience Study

Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension and OPEB valuations beginning with the September 30, 2018 valuation. The total pension and OPEB liabilities as of September 30, 2021 are based on the results of an actual valuation date of September 30, 2020, and rolled forward using generally accepted actuarial procedures, including the experience study.

Long-Term Expected Rate of Return on Investments

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

Muskegon Area Intermediate School District
NOTES TO FINANCIAL STATEMENTS
 June 30, 2022

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

Michigan Public School Employees’ Retirement System Plans—Continued

Actuarial assumptions—Continued

Long-Term Expected Rate of Return on Investments—Continued

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

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

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

Rate of return

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

Discount rate

In the current year, the discount rates used to measure the total pension and OPEB liabilities were 6.8 percent (6.8 percent for the Pension Plus plan and 6 percent for the Pension Plus 2 plan, hybrid plans provided through non-university employers only), and 6.95 percent, respectively. The discount rates used to measure the total pension and OPEB liability as of June 30, 2021 were 6.8 percent (6.8 percent for the Pension Plus Plan and 6 percent for the Pension Plus 2 plan, hybrid plans provided through non-university employers only), and 6.95 percent, respectively. These discount rates for the current year were based on the long-term expected rates of return on pension plan and OPEB investments of 6.8 percent (6.8 percent for the Pension Plus plan, 6 percent for the Pension Plus 2 plan) and 6.95 percent, respectively. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension and OPEB plans’ fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension and OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension and OPEB liabilities.

Muskegon Area Intermediate School District
NOTES TO FINANCIAL STATEMENTS
 June 30, 2022

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

Michigan Public School Employees’ Retirement System Plans—Continued

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

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

| 1% Lower* (5.8% / 5.8% / 5.0%) | Discount Rate* (6.8% / 6.8% / 6.0%) | 1% Higher* (7.8% / 7.8% / 7.0%) |
|---|--|--|
| \$ 72,876,936 | \$ 50,972,559 | \$ 32,812,394 |

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

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

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

| 1% Lower (5.95%) | Discount Rate (6.95%) | 1% Higher (7.95%) |
|-----------------------------------|--|------------------------------------|
| \$ 6,138,139 | \$ 3,303,306 | \$ 897,546 |

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 |
|-----------------|---|------------------|
| \$ 803,998 | \$ 3,303,306 | \$ 6,115,328 |

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 amounts are not considered payables for this purpose.

Muskegon Area Intermediate School District
NOTES TO FINANCIAL STATEMENTS
 June 30, 2022

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

Muskegon Area Intermediate School District Retiree Medical Benefits Plan

Plan Description

The School District administers a single-employer defined benefit post-employment health and life insurance plan, the Muskegon Area Intermediate School District Retiree Medical Benefits Plan (Plan). The Director of Financial Services is responsible for administration of the Plan in accordance with the employment contracts. This plan does not issue a publicly-available stand-alone financial report and there are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75. Participation in this plan has been frozen for those hired after July 1, 2018. Information is available upon request of the School District.

Plan Membership

As of June 30, 2022, employees covered by benefit terms of the Plan were as follows:

| | <u>Administrators</u> | <u>Non- administrators</u> | <u>Total</u> |
|--|-----------------------|--------------------------------|--------------|
| Inactive plan members receiving benefits | 1 | 1 | 2 |
| Active plan members | 11 | 148 | 159 |
| Retirees and beneficiaries | 6 | 7 | 13 |
| Total participants | | | 174 |

Benefits Provided

Pursuant to employment contracts, the Plan provides that certain employees electing retirement are eligible to receive post-retirement health and life insurance benefits. Benefit provisions are established and amended by the union contracts through negotiations between the School District and the respective unions or as established by the School District for non-union employees. Health insurance benefits terminate the month the retiree and spouse attain eligibility for Medicare, or die, whichever occurs first. Life insurance benefits terminate once the retiree reaches age 70. The Plan provides the following benefits based on employee group upon retirement:

| <u>Employee Class</u> | <u>Benefits</u> |
|---|---|
| Administrator - At least 10 years of service (5 with MAISD) and retire under MPSERS | Health insurance costs not covered by State retirement program for retiree and spouse. Term life insurance premium through age 69. |
| Non-administrator - At least 20 years of service with MAISD and retire under MPSERS | Monthly stipend of \$59 for single, and \$100 for individuals with a spouse until both retiree and spouse are eligible for Medicare. |

Contributions

The Plan's funding policy is that the School District will fund the Plan on a pay-as-you-go basis. That is, benefit payments will be made from general operating assets. There are no long term contracts for contributions to the Plan. The Plan has no legally required reserves. For the fiscal year ended June 30, 2022, the School District paid approximately \$16,000.

Muskegon Area Intermediate School District
NOTES TO FINANCIAL STATEMENTS
 June 30, 2022

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

Muskegon Area Intermediate School District Retiree Medical Benefits Plan—Continued

Total OPEB Liability

The School District’s total OPEB liability of \$330,911 was measured as of June 30, 2022, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

Valuation Assumptions

The total OPEB liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

| | |
|--------------------------------|--|
| Inflation | Implicit in expected payroll increases |
| Salary increases | 3.5% |
| 20-year Aa Municipal bond rate | 4.09% |

Discount Rate

The discount rate used to measure the total OPEB liability was 4.09 percent based on the long-term expected rate above reflecting a 20-year tax-exempt municipal bond yield.

Mortality

Mortality rates were based on the Public General 2010 Employee and Healthy Retiree, headcount weighted, MP-2020 improvement scale.

Experience Study

The annual actuarial valuation report of the Plan used for these statements is dated June 30, 2022. Assumption changes as a result of an experience study for turnover rates and retirement rates based on 2011 data have been adopted by the Plan.

Changes in the Total OPEB Liability

| | |
|---|--------------------------|
| Balance at June 30, 2021 | \$ 361,528 |
| Service cost | 22,113 |
| Interest | 8,190 |
| Difference between expected and actual experience | (9,968) |
| Change of assumptions | (35,073) |
| Benefit payments | (15,879) |
| Net Changes | <u>(30,617)</u> |
| Balance at June 30, 2022 | <u><u>\$ 330,911</u></u> |

Muskegon Area Intermediate School District
NOTES TO FINANCIAL STATEMENTS
 June 30, 2022

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

Muskegon Area Intermediate School District Retiree Medical Benefits Plan—Continued

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

The following table presents the total OPEB liability of the School District, as well as what the School District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.09 percent) or 1-percentage-point higher (5.09 percent) than the current discount rate:

| | 1% Lower (3.09%) | Discount Rate (4.09%) | 1% Higher (5.09%) |
|----------------------|-----------------------------|----------------------------------|------------------------------|
| Total OPEB liability | \$ 348,905 | \$ 330,911 | \$ 313,790 |

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

The following table presents the total OPEB liability of the School District, as well as what the School District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates. The expected annual increase to the reimbursement rates under the plan is well below expected trend, so the liability would be unaffected by a 1 percent change in trend:

| | 1% Lower | Current Healthcare Cost Trend Rate | 1% Higher |
|----------------------|-----------------------|---|-----------------------|
| Total OPEB liability | no material change | \$ 330,911 | no material change |

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

For the year ended June 30, 2022, the School District recognized an OPEB expense of \$30,622. At June 30, 2022, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Differences between expected and actual experience | \$ 40,193 | \$ 15,511 |
| Changes of assumptions | 25,511 | 49,480 |
| | \$ 65,704 | \$ 64,991 |

Muskegon Area Intermediate School District
NOTES TO FINANCIAL STATEMENTS
 June 30, 2022

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

Muskegon Area Intermediate School District Retiree Medical Benefits Plan—Continued

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

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

| <u>Year ending June 30,</u> | <u>Amount Recognized</u> |
|---------------------------------|------------------------------|
| 2023 | \$ 319 |
| 2024 | 319 |
| 2025 | 75 |

NOTE H—COMMITMENTS AND CONTINGENCIES

Capitalized Leases

Included in furniture and equipment are the following assets held under capital lease as of June 30, 2022:

| | |
|-------------------------------|-------------------------|
| Furniture and equipment | \$ 115,673 |
| Less accumulated amortization | <u>(23,135)</u> |
| | <u>\$ 92,538</u> |

Future minimum lease payments for assets under capital leases through 2027 are as follows:

| <u>Year ending June 30,</u> | <u>Amount</u> |
|---|-------------------------|
| 2023 | \$ 26,064 |
| 2024 | 26,064 |
| 2025 | 26,064 |
| 2026 | 26,064 |
| 2027 | <u>4,345</u> |
| Total minimum lease payments | 108,601 |
| Less amount representing interest | <u>(10,368)</u> |
| Present value of net minimum lease payments | 98,233 |
| Less current maturities | <u>(21,800)</u> |
| Long-term obligation | <u>\$ 76,433</u> |

Muskegon Area Intermediate School District
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE H—COMMITMENTS AND CONTINGENCIES—Continued

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 I—OTHER INFORMATION

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

The School District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance. No settlements have occurred in excess of coverage for June 30, 2022 or any of the prior three years.

NOTE J—CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2022, the District implemented the following new pronouncement: GASB Statement No. 87, *Leases*.

Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, was issued by the GASB in June 2017. The objective of this Statement is to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use the underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

There was no material impact on the District's financial statement after the adoption of GASB Statement 87.

Muskegon Area Intermediate School District
NOTES TO FINANCIAL STATEMENTS
 June 30, 2022

NOTE K—TAX ABATEMENTS

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

| <u>Municipality</u> | <u>Abatement type</u> | | Total taxes abated |
|--------------------------|-----------------------|-------------------|-------------------------------|
| | IFT | BRA | |
| City of Montague | \$ 3,036 | \$ - | \$ 3,036 |
| City of Muskegon | 39,067 | 61,417 | 100,484 |
| City of Muskegon Heights | 3,349 | - | 3,349 |
| City of Norton Shores | 30,663 | - | 30,663 |
| City of Whitehall | 20,124 | 42,362 | 62,486 |
| Egelston Township | 5,710 | - | 5,710 |
| Fruitport Township | 4,248 | - | 4,248 |
| Montague Township | 902 | - | 902 |
| Muskegon Township | 2,157 | - | 2,157 |
| Ravenna Township | 780 | - | 780 |
| Sullivan Township | 2,074 | - | 2,074 |
| Whitehall Township | 226 | 4,185 | 4,411 |
| | \$ 112,336 | \$ 107,964 | \$ 220,300 |

The tax abatements that reduce the special education and vocational education fund operating tax levy are considered by the State of Michigan when calculating the School District's state aid—section 56 and 62 of the State School Aid Act.

There are no significant abatements made by the School District.

NOTE L—UPCOMING ACCOUNTING PRONOUNCEMENT

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

REQUIRED SUPPLEMENTARY INFORMATION

Muskegon Area Intermediate School District
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
 General Fund
 For the year ended June 30, 2022

| | <u>Budgeted amounts</u> | | <u>Actual</u> | <u>Variance with final budget</u> |
|---|-------------------------|---------------------|----------------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | | | | |
| Local sources | \$ 10,341,012 | \$ 12,150,608 | \$ 11,803,640 | \$ (346,968) |
| State sources | 11,645,985 | 14,257,077 | 13,506,546 | (750,531) |
| Federal sources | 11,090,622 | 12,433,434 | 11,501,398 | (932,036) |
| Incoming transfers and other transactions | 2,461,736 | 2,780,599 | 2,466,267 | (314,332) |
| Total revenues | 35,539,355 | 41,621,718 | 39,277,851 | (2,343,867) |
| EXPENDITURES | | | | |
| Instruction | | | | |
| Basic programs | 1,198,101 | 2,151,176 | 2,421,639 | (270,463) |
| Added needs | 453,638 | 390,185 | 402,001 | (11,816) |
| Adult and continuing education | 147,697 | 154,217 | 118,813 | 35,404 |
| Support services | | | | |
| Pupil | 854,181 | 1,097,083 | 1,114,713 | (17,630) |
| Instructional staff | 6,043,148 | 7,228,089 | 6,418,465 | 809,624 |
| General administration | 934,539 | 986,057 | 1,026,345 | (40,288) |
| School administration | 79,536 | 368,388 | 362,605 | 5,783 |
| Business | 1,565,543 | 1,671,456 | 1,574,759 | 96,697 |
| Operations and maintenance | 945,032 | 1,126,314 | 1,071,405 | 54,909 |
| Pupil transportation services | 795,900 | 766,834 | 573,359 | 193,475 |
| Central | 3,835,258 | 3,944,625 | 3,763,154 | 181,471 |
| Community services | 5,482,309 | 6,261,931 | 6,131,587 | 130,344 |
| Outgoing transfers and other transactions | 13,131,958 | 15,577,429 | 14,548,691 | 1,028,738 |
| Total expenditures | 35,466,840 | 41,723,784 | 39,527,536 | 2,196,248 |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ 72,515</u> | <u>\$ (102,066)</u> | (249,685) | <u>\$ (147,619)</u> |
| Fund balance at beginning of year | | | <u>6,675,779</u> | |
| Fund balance at end of year | | | <u><u>\$ 6,426,094</u></u> | |

Muskegon Area Intermediate School District
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
Special Education Fund
For the year ended June 30, 2022

| | <u>Budgeted amounts</u> | | <u>Actual</u> | <u>Variance with final budget</u> |
|---|-------------------------|------------------|---------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | | | | |
| Local sources | \$ 18,977,147 | \$ 19,136,049 | \$ 17,301,788 | \$ (1,834,261) |
| State sources | 8,349,680 | 9,248,367 | 8,990,428 | (257,939) |
| Federal sources | 9,234,231 | 9,521,264 | 8,747,401 | (773,863) |
| Total revenues | 36,561,058 | 37,905,680 | 35,039,617 | (2,866,063) |
| EXPENDITURES | | | | |
| Instruction | | | | |
| Added needs | 7,144,662 | 6,910,638 | 6,624,113 | 286,525 |
| Support services | | | | |
| Pupil | 5,841,808 | 6,281,710 | 5,970,660 | 311,050 |
| Instructional staff | 2,683,127 | 2,295,410 | 2,147,817 | 147,593 |
| General administration | 34,182 | 29,610 | 18,547 | 11,063 |
| School administration | 944,094 | 1,010,820 | 942,939 | 67,881 |
| Business | 5,500 | 4,618 | 4,077 | 541 |
| Operations and maintenance | 676,668 | 661,004 | 618,008 | 42,996 |
| Pupil transportation services | 50,022 | 49,625 | 27,814 | 21,811 |
| Central | 384,340 | 799,958 | 567,484 | 232,474 |
| Other | 2,000 | 2,400 | 2,339 | 61 |
| Community services | 1,800 | 1,800 | 197 | 1,603 |
| Outgoing transfers and other transactions | 18,850,854 | 19,774,695 | 17,984,664 | 1,790,031 |
| Total expenditures | 36,619,057 | 37,822,288 | 34,908,659 | 2,913,629 |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ (57,999)</u> | <u>\$ 83,392</u> | 130,958 | <u>\$ 47,566</u> |
| Fund balance at beginning of year | | | 989,582 | |
| Fund balance at end of year | | | <u>\$ 1,120,540</u> | |

Muskegon Area Intermediate School District
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
Vocational Education Fund
For the year ended June 30, 2022

| | Budgeted amounts | | Actual | Variance with final budget |
|---|-------------------------|--------------------|---------------------|---------------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Local sources | \$ 5,018,100 | \$ 5,272,447 | \$ 5,206,823 | \$ (65,624) |
| State sources | 2,450,914 | 2,360,523 | 2,171,210 | (189,313) |
| Federal sources | 371,410 | 376,605 | 383,901 | 7,296 |
| Incoming transfers and other transactions | 2,000 | 2,000 | 308,284 | 306,284 |
| Total revenues | 7,842,424 | 8,011,575 | 8,070,218 | 58,643 |
| EXPENDITURES | | | | |
| Instruction | | | | |
| Added needs | 3,688,266 | 4,019,164 | 3,738,391 | 280,773 |
| Support services | | | | |
| Pupil | 1,297,345 | 1,309,795 | 1,128,758 | 181,037 |
| Instructional staff | 868,535 | 690,545 | 710,195 | (19,650) |
| General administration | 5,500 | 4,315 | 2,315 | 2,000 |
| School administration | 658,107 | 659,805 | 637,100 | 22,705 |
| Business | 31,766 | 30,682 | 30,082 | 600 |
| Operations and maintenance | 434,998 | 434,795 | 422,981 | 11,814 |
| Pupil transportation services | 22,695 | 17,395 | 3,472 | 13,923 |
| Central | 87,620 | 85,720 | 54,189 | 31,531 |
| Other | 15,000 | 15,000 | - | 15,000 |
| Community services | 3,000 | 3,000 | - | 3,000 |
| Outgoing transfers and other transactions | 870,774 | 773,269 | 1,009,250 | (235,981) |
| Total expenditures | 7,983,606 | 8,043,485 | 7,736,733 | 306,752 |
| Excess (deficiency) of revenues over (under) expenditures | \$ (141,182) | \$ (31,910) | 333,485 | \$ 365,395 |
| Fund balance at beginning of year | | | 3,287,869 | |
| Fund balance at end of year | | | \$ 3,621,354 | |

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

| | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| School District's proportion of the net pension liability (%) | 0.21530% | 0.20859% | 0.20086% | 0.19197% | 0.18125% | 0.16099% | 0.15134% | 0.14169% |
| School District's proportionate share of the net pension liability | \$ 50,972,559 | \$ 71,653,339 | \$ 66,517,377 | \$ 57,710,201 | \$ 46,968,860 | \$ 40,166,741 | \$ 36,963,685 | \$ 31,208,286 |
| School District's covered payroll | \$ 19,381,385 | \$ 18,864,907 | \$ 17,796,536 | \$ 16,922,179 | \$ 15,972,371 | \$ 13,973,396 | \$ 12,596,512 | \$ 9,914,008 |
| School District's proportionate share of the net pension liability as a percentage of its covered payroll | 263.00% | 379.82% | 373.77% | 341.03% | 294.06% | 287.45% | 293.44% | 314.79% |
| Plan fiduciary net position as a percentage of the total pension liability | 72.60% | 59.72% | 60.31% | 62.36% | 64.21% | 63.27% | 63.17% | 66.20% |

Note: For years prior to 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.

Muskegon Area Intermediate School District
REQUIRED SUPPLEMENTARY INFORMATION
Schedule of 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>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Statutorily required contributions | \$ 4,061,363 | \$ 3,609,745 | \$ 3,448,254 | \$ 3,065,127 | \$ 2,948,598 | \$ 2,930,701 | \$ 2,726,548 | \$ 2,921,724 |
| Contributions in relation to the statutorily required contributions | 4,061,363 | 3,609,745 | 3,448,254 | 3,065,127 | 2,948,598 | 2,930,701 | 2,726,548 | \$ 2,921,724 |
| Contribution deficiency (excess) | <u>\$ -</u> |
| School District's covered payroll | \$ 20,998,892 | \$ 19,112,088 | \$ 18,665,713 | \$ 17,444,267 | \$ 16,555,479 | \$ 15,570,317 | \$ 13,030,444 | \$ 12,487,226 |
| Contributions as a percentage of covered payroll | 19.34% | 18.89% | 18.47% | 17.57% | 17.81% | 18.82% | 20.92% | 23.40% |

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.

Muskegon Area Intermediate School District
REQUIRED SUPPLEMENTARY INFORMATION
Schedule of 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>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|--|---------------|---------------|---------------|---------------|---------------|
| School District's proportion of the net OPEB liability (%) | 0.21641% | 0.21252% | 0.20333% | 0.19777% | 0.18039% |
| School District's proportionate share of the net OPEB liability | \$ 3,303,306 | \$ 11,385,324 | \$ 14,594,528 | \$ 15,720,934 | \$ 15,974,449 |
| School District's covered payroll | \$ 19,381,385 | \$ 18,864,907 | \$ 17,796,536 | \$ 16,922,179 | \$ 15,972,371 |
| School District's proportionate share of the net OPEB liability as a percentage of its covered payroll | 17.04% | 60.35% | 82.01% | 92.90% | 100.01% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 87.33% | 59.44% | 48.46% | 42.95% | 36.39% |

Note: For years prior to 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.

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

| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|---|---------------|---------------|---------------|---------------|---------------|
| Statutorily required contributions | \$ 1,680,564 | \$ 1,565,813 | \$ 1,490,754 | \$ 1,351,154 | \$ 1,208,024 |
| Contributions in relation to the statutorily required contributions | 1,680,564 | 1,565,813 | 1,490,754 | 1,351,154 | 1,208,024 |
| Contribution deficiency (excess) | <u>\$ -</u> |
| School District's covered payroll | \$ 20,998,892 | \$ 19,112,088 | \$ 18,665,713 | \$ 17,444,267 | \$ 16,555,479 |
| Contributions as a percentage of covered payroll | 8.00% | 8.19% | 7.99% | 7.75% | 7.30% |

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.

Muskegon Area Intermediate School District
REQUIRED SUPPLEMENTARY INFORMATION
Schedule of School District's Total OPEB Liability
Muskegon Area Intermediate School District Retiree Medical Plan
Last 10 Fiscal Years (Amounts were determined as of 6/30 of each fiscal year)

| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
| Service cost | \$ 22,113 | \$ 18,416 | \$ 17,676 | \$ 23,434 | \$ 21,392 |
| Interest | 8,190 | 8,478 | 9,165 | 10,805 | 12,672 |
| Differences between expected and actual experience | (9,968) | 29,008 | (4,753) | 24,401 | (5,032) |
| Change of assumptions or other inputs | (35,073) | 12,954 | 5,576 | (90,491) | 17,675 |
| Benefit payments | (15,879) | (15,248) | (15,157) | (18,976) | (25,092) |
| Net change in total OPEB liability | (30,617) | 53,608 | 12,507 | (50,827) | 21,615 |
| Total OPEB liability - beginning | 361,528 | 307,920 | 295,413 | 346,240 | 324,625 |
| Total OPEB liability - ending | <u>\$ 330,911</u> | <u>\$ 361,528</u> | <u>\$ 307,920</u> | <u>\$ 295,413</u> | <u>\$ 346,240</u> |
| School District's covered payroll | \$ 20,998,892 | \$ 19,112,088 | \$ 18,665,713 | \$ 17,444,267 | \$ 16,555,479 |
| Total OPEB liability as a percentage of covered-employee payroll | 1.58% | 1.89% | 1.65% | 1.69% | 2.09% |

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.

Muskegon Area Intermediate School District
REQUIRED SUPPLEMENTARY INFORMATION
Notes to Required Supplementary Information
For the year ended June 30, 2022

Michigan Public School Employee Retirement System Plans

Pension Information

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

Changes of assumptions – there were no changes of assumptions in 2021.

OPEB Information

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

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

Muskegon Area Intermediate School District Retiree Medical Plan Information

OPEB Information

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

Changes of assumptions – the discount rate was increased from 2.18 percent to 4.09 percent in 2022.

OTHER SUPPLEMENTARY INFORMATION

Muskegon Area Intermediate School District
COMBINING BALANCE SHEET
 Other Governmental Funds
 June 30, 2022

| | Total other governmental funds | Special Revenue | | Capital Project |
|-------------------------------------|---|------------------------|------------------------|----------------------------|
| | | Food Service | School Activity | |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 1,456,071 | \$ 43,579 | \$ 96,719 | \$ 1,315,773 |
| Investments | 1,113,553 | - | - | 1,113,553 |
| Receivables | 474 | - | 474 | - |
| Due from other governmental units | 27,526 | 27,526 | - | - |
| Due from other funds | 32,964 | - | - | 32,964 |
| Prepaid items | 20,000 | 20,000 | - | - |
| Total assets | \$ 2,650,588 | \$ 91,105 | \$ 97,193 | \$ 2,462,290 |
| LIABILITIES | | | | |
| Accounts payable | \$ 154,168 | \$ 8,634 | \$ - | \$ 145,534 |
| Due to other funds | 4,499 | 4,499 | - | - |
| Unearned revenue | 575 | 575 | - | - |
| Total liabilities | 159,242 | 13,708 | - | 145,534 |
| FUND BALANCES | | | | |
| Nonspendable | | | | |
| Prepaid items | 20,000 | 20,000 | - | - |
| Restricted | | | | |
| Food service | 57,397 | 57,397 | - | - |
| Committed | | | | |
| Capital projects | 2,316,756 | - | - | 2,316,756 |
| Student/school activities | 97,193 | - | 97,193 | - |
| Total fund balances | 2,491,346 | 77,397 | 97,193 | 2,316,756 |
| Total liabilities and fund balances | \$ 2,650,588 | \$ 91,105 | \$ 97,193 | \$ 2,462,290 |

Muskegon Area Intermediate School District
**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES**
Other Governmental Funds
For the year ended June 30, 2022

| | Total other governmental funds | Special Revenue | | Capital Project |
|---|---|------------------------|------------------------|----------------------------|
| | | Food Service | School Activity | |
| REVENUES | | | | |
| Local sources | | | | |
| Investment earnings | \$ 3,071 | \$ 167 | \$ - | \$ 2,904 |
| Other | 19,973 | 1,218 | 18,755 | - |
| Total local sources | 23,044 | 1,385 | 18,755 | 2,904 |
| State sources | (526) | (526) | - | - |
| Federal sources | 180,023 | 180,023 | - | - |
| Total revenues | 202,541 | 180,882 | 18,755 | 2,904 |
| EXPENDITURES | | | | |
| Food service | 178,582 | 178,582 | - | - |
| Student/school activities | 5,473 | - | 5,473 | - |
| Capital projects | 207,593 | - | - | 207,593 |
| Total expenditures | 391,648 | 178,582 | 5,473 | 207,593 |
| Excess (deficiency) of revenues over (under) expenditures | (189,107) | 2,300 | 13,282 | (204,689) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 33,412 | 448 | - | 32,964 |
| Transfers out | (4,494) | (4,494) | - | - |
| Total other financing sources (uses) | 28,918 | (4,046) | - | 32,964 |
| Net change in fund balances | (160,189) | (1,746) | 13,282 | (171,725) |
| Fund balances at beginning of year | 2,651,535 | 79,143 | 83,911 | 2,488,481 |
| Fund balances at end of year | \$ 2,491,346 | \$ 77,397 | \$ 97,193 | \$ 2,316,756 |