

Management Discussion and Analysis

MSBO Financial Statement Preparation Workshop

June 7, 2023

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Management Discussion and Analysis (MD&A)

- Overview – Why, What, How
- Basic Criteria & Sections
- MD&A Resources
- MD&A Samples

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MD&A Overview – Why?

- A requirement of [GASB Statement 34](#)
- Original implementation might have included boilerplate language.
 - *Challenge – Go beyond the boilerplate!*
- Intended to give the reader of the financial statements an easy-to-understand overview of the school district's financial position and operational results.
- Management is required to explain the district's financial position and address the reasons it has improved or deteriorated compared with the prior year.
- Helps current and prospective clients understand what the financial statements show and do not show.

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MD&A Overview – What?

- The MD&A is required supplementary information (RSI). It precedes the basic financial statements, and is considered part of the audited financial statement report.
 - *Challenge – think about the historical record - what will it show in the future?*
- A brief description of the required financial statements for the benefit of users unfamiliar with how they are prepared.
- Based on currently known facts as of the date of the auditor's report.
- Discuss important trends and risks that have, or in the future may, affect the financial statements.
- Provides information about the quality and potential variability of the District's performance, to help users determine if past performance is indicative of future performance.
- Minimum criteria and basic headings – more to come in a few slides!

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MD&A Overview – How?

- What if's or information about potential developments or future planned events should not be included.
- Use this opportunity to your advantage... Tell your story. Let the readers know what a great job the District did with its finances.
 - *Challenge - Highlight points of emphasis with graphics!*
- Discuss material information that may not be fully reflected in the financial statements such as contingent liabilities and other contractual obligations
- Annual Comprehensive Finance Report districts- MD&A does not replace the transmittal letter (and vice versa). Districts presenting a transmittal letter in the comprehensive report are encouraged by GASB not to duplicate any of the information that is contained in the MD&A .

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MD&A Basic Criteria

Condensed Government-wide Statements:

Condensed financial information derived from government-wide financial statements

- Statement of Net Position
- Statement of Activities

Government-wide Analysis:

An analysis of the government's overall financial position and results of operations, including impact of important economic factors. For example, foundation allowance changes, Headlee rollbacks, pupil enrollment changes or other changes in funding are topics that might impact overall financial position.

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MD&A Basic Criteria

Fund Level Statements:

An analysis of balances and transactions of individual funds.

Budget Information:

An analysis of differences between original and final budgeted amounts and final budgeted amounts and actual amounts (if significant).

Capital Assets & Long-Term Debt:

A description of changes in capital assets and long-term debt during the year and changes therein (once written, probably won't change much unless there's a new bond issue).

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MD&A Basic Criteria

Infrastructure - N/A

A discussion of the condition of infrastructure assets. N/A for schools.

Current Events:

A description of currently known facts, decisions or conditions that are expected to have a material effect on financial position or results of operations (e.g. enrollment, state funding, etc.)

- You need to walk that line between forward-looking information (good) and forecasting (bad).

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MD&A Resources

I want to better understand or update or improve my MD&A. Where should I turn for more info?

- [GASB pronouncements webpage](#)
- [ASBO checklist](#)
- Other districts' reports
- MSBO Resources...such as today's session

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MD&A Resources GASB Pronouncements & Impacts

- GASB 68: [Accounting and Financial Reporting for Pensions](#)
- GASB 75: [Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions](#)
 - *The OPEB liability created another large liability on your balance sheet*
 - *Negative fund equity or net position is not a fun thing to explain, is it?*
 - *Get used to it. The MPSERS unfunded liability is not going away, which means we get to keep explaining the impact of GASB 68 and 75.*
- GASB 84 – [Fiduciary Activities](#)
 - *Former agency accounts – either general fund or special revenue funds.*
 - *Explain the impact on the report.*
 - *Make sure budget approach is accurate.*
- GASB 87 – [Leases](#)
- GASB 96 - [Technology Subscriptions](#)

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MD&A Resources ASBO COE Checklist

2. MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

| | | | |
|---|-----------------------|-----------------------|-----------------------|
| A. Is an MD&A presented? (GASBS 34: 6; 2012 GAAFR, page 594; eGAAFR, page 525) | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| B. Is the MD&A presented preceding the basic financial statements? (GASBS 34: 8; 2012 GAAFR, pages 567 & 594; eGAAFR, page 525) | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| C. Does the MD&A describe the basic government-wide financial statements and the basic fund financial statements, as well as the difference in the kinds of information provided by each? (Cod[SL1]. Sec. 2200.109b; 2012 GAAFR, page 568; eGAAFR, page 526) | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| D. Does the MD&A provide condensed financial data extracted from the government-wide financial statements? If yes, does the condensed financial data include: (Cod. Sec. 2200.109b; 2012 GAAFR, pages 568-569; eGAAFR, page 526) | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 1. Total assets (distinguishing between capital and other assets)? (Cod. Sec. 2200.109b(1); 2012 GAAFR, page 568; eGAAFR, page 526) | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 2. Total deferred outflows of resources? (Cod. Sec. 2200.109b(2); eGAAFR, page 526) | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 3. Total liabilities (distinguishing between long-term liabilities and other liabilities)? (Cod. Sec. 2200.109b(3); 2012 GAAFR, page 568; eGAAFR, page 526) | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 4. Total deferred inflows of resources? (Cod. Sec. 2200.109b(4); eGAAFR, page 526) | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 5. Total net position (distinguishing among the net investment in capital assets; restricted net position; and unrestricted net position)? (Cod. Sec. 2200.109b(5); 2012 GAAFR, page 568; eGAAFR, page 526) | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 6. Program revenues by major source? (Cod. Sec. 2200.109b(6); 2012 GAAFR, page 568; eGAAFR, page 526)[SL2] | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 7. General revenues by major source? (Cod. Sec. 2200.109b(7); 2012 GAAFR, page 568; eGAAFR, page 526) | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 8. Total revenues? (Cod. Sec. 2200.109b(8); 2012 GAAFR, page 568; eGAAFR, page 526) | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

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MD&A Resources Tips for Writing an Effective MD&A

1. Do not use jargon. Use plain language, with tables and charts.
2. Be brief, but candid and even-handed in your analysis.
3. Start from a top-down analysis and work towards the details.
4. Explain why things happened.
5. Look at other district's MD&A...what are they writing about? How are they writing?
6. Weave your risk factors into your narrative.
7. Try to quantify the effects of the identified risk factors.
8. Look forward, but do not predict or forecast.

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MD&A Resources MD&A Samples

- R-PS's MD&A follows this outline:
 - Overview:
 - Explain what we are doing and what an MD&A is
 - Explain District-wide versus Fund Financial statements
 - District-Wide Financial Analysis
 - Summary Statements of Net Position and Changes in Net Position
 - Explain significant variances and changes in the write up
 - Fund Financial Statements
 - Significant variances and changes are explained in the write up
 - May include tables and summaries
 - General Fund Budgetary Highlights
 - Explain budget variances in the write up
 - May include tables and summaries
 - Capital Assets and Debt Summary
 - Note the use of tables
 - Factors Bearing on the District's Future
 - Tell your story!
 - Explain your assumptions used when gazing into your crystal ball

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MD&A Resources MD&A Samples

- Reeths-Puffer Schools
 - [Comprehensive Annual Financial Report FYE 6/30/2022](#)
- Use the Transparency Icon to find other districts' reports



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Reeths-Puffer Schools
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2022

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

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

Overview of the Comprehensive Financial Statements

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

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

Fund statements are reported under the "modified accrual" method of accounting. Under this basis of accounting, revenues are recorded when received, except where they are measurable and available within sixty (60) days of the close of the fiscal year. Expenditures are accounted for in the period that goods and services are used in school

- Explain District-wide Financial Statements
- Give names and reasons for major District-Wide FSs

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Reeths-Puffer Schools
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2022

Fund types include the General Fund, special revenue funds, debt retirement funds and capital projects funds. The General Fund is used to show the operational financial activities of the School District for the fiscal year. The primary funding sources for the General Fund are from local property taxes, state foundation grant per student, state categorical funding for specific programs, federal grants and inter-governmental transfers. A budgetary comparison schedule for the General Fund is presented as Required Supplementary Information. This schedule shows the initial budget adopted in June 2021, the final amended budget as of June 30, 2022, and how actual results compared.

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

The debt service funds are used to record debt payments of principal and interest amounts. Local property tax funds are used to pay the majority of debt, with any unmet needs being covered by the Michigan School Loan Revolving Fund.

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

Budgetary comparison schedules cover the special revenue funds of the School District – Food Service Fund, Technology and Security Fund, and School Activity Fund. These comparisons are presented as Other Supplemental Information and are not subject to audit. However, the Board of Education is required by law to adopt a budget for appropriations for those funds. These schedules show the initial budget adopted in June 2021, the final amended budget as of June 30, 2022, and how actual results compared.

- R-PS Overview of Funds
 - Explain reason for funds and basis of accounting
 - Identify major funds and reasons why they exist

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Reeths-Puffer Schools
MANAGEMENT'S DISCUSSION AND ANALYSIS
 For the Fiscal Year Ended June 30, 2022

Furthermore, the net deficiency position of the School District has been exacerbated by the adoption of GASB Statements Numbers 68 and 75, which have greatly increased the long-term liabilities required to be recognized by the School District. GASB Statement Number 68 was adopted for the fiscal year ended June 30, 2015, and GASB Statement Number 75 was adopted for the fiscal year ended June 30, 2018. As of June 30, 2022, the School District reported liabilities of approximately \$49.3 million for its share of the unfunded liability for the MPSERS pension plan, approximately \$3.1 million for its share of the MPSERS OPEB liability as well as approximately \$4.3 million in additional OPEB liabilities. The impact of GASB 68 and GASB 75 on the financial statements is explored in more depth in Footnote I.

| Statement of Net Position | | |
|---|------------------------|------------------------|
| | June 30, | |
| | 2022 | 2021 |
| Assets | | |
| Current assets | \$ 18,733,869 | \$ 17,252,353 |
| Capital assets (net of depreciation) | 40,535,354 | 42,213,610 |
| Total assets | 59,269,223 | 59,465,963 |
| Deferred outflows of resources | 15,920,126 | 22,955,013 |
| Total assets and deferred outflows of resources | 75,189,349 | 82,420,976 |
| Liabilities | | |
| Current liabilities | 15,939,119 | 16,544,840 |
| Long-term liabilities | 113,015,477 | 151,082,493 |
| Total liabilities | 128,954,596 | 167,627,333 |
| Deferred inflows of resources | 34,883,200 | 13,042,299 |
| Total liabilities and deferred inflows of resources | 163,837,796 | 180,669,632 |
| Net Position | | |
| Net investment in capital assets | 17,208,868 | 13,004,772 |
| Restricted funds | 662,719 | 1,850,639 |
| Unrestricted funds | (106,520,034) | (113,104,067) |
| Net position | \$ (88,648,447) | \$ (98,248,656) |

• R-PS District-Wide
Financial Analysis

- Note summary Statement of Net Position and Statement of Changes in Net Position tables
- Explain significant variances and changes in the write up

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| Statement of Activities | | |
|--|------------------------------------|------------------------|
| | For the Year Ended June 30, | |
| | 2022 | 2021 |
| District Wide Revenues | | |
| Program Revenues | | |
| Charges for services | \$ 1,070,651 | \$ 419,269 |
| Operating grants | 16,123,905 | 15,498,089 |
| General Revenues | | |
| Property taxes | 8,922,128 | 8,661,576 |
| Unrestricted grants | 27,067,685 | 25,562,726 |
| Other revenues | 68,386 | 366,380 |
| Total revenues | 53,252,755 | 50,508,040 |
| District Wide Expenses | | |
| Instruction | 22,719,065 | 27,334,678 |
| Support services | 15,427,615 | 16,950,006 |
| Community services | 276,660 | 66,712 |
| Food services | 1,898,900 | 1,600,600 |
| Student/school activities | 646,180 | 347,584 |
| Athletics | 794,791 | 1,101,299 |
| Interest on long-term debt | 1,859,854 | 2,222,159 |
| Unallocated depreciation | 29,481 | 35,093 |
| Total expenses | 43,652,546 | 49,658,131 |
| Change in net position | 9,600,209 | 849,909 |
| Net position at beginning of year | (98,248,656) | (99,098,565) |
| Net position at end of year | \$ (88,648,447) | \$ (98,248,656) |

The change reflected above is a change in net position of approximately \$9.6 million. Overall, total revenue in 2021-22 increased by approximately \$2.7 million compared to 2020-21, an increase of nearly 5%. Property tax revenue for debt service increased slightly due to a modest tax base growth. The School District continues its efforts to refinance outstanding debt and is consistent with the requirements of Public Act 437 of 2012. Operating grants increased again due to extensive COVID response funding passed through the State of Michigan from the federal government. Unrestricted revenue was higher than the previous year due to higher per-pupil funding.

• R-PS Statement of
Activities

- Explain significant variances and changes in the write up
- Use visuals where appropriate – make sure they're factual, easy to read, and add to the experience (rather than detract from it)

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General Fund Budgetary Highlights

The State of Michigan's Uniform Budget Act requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year. When the budget is prepared each year, several unknown factors exist. Estimates are used for such major items as student count, employee contracts, state aid, staffing, and tax appeals. As a matter of practice and in accordance with Board policy and state law, the School District amends its budget periodically during the fiscal year. These revisions are made in order to deal with changes in revenues and expenditures that become known during the year. During the 2021-22 year, the budget was amended in January 2022 and June 2022.

One of the main assumptions impacting the School District's budget is the revenue received from State of Michigan through the per-pupil foundation allowance. The foundation grant for the 2021-22 year was \$8,700. The State of Michigan also provided approximately \$188 per-pupil through Section 147A MPSERS pension offset grant.

Revenue adjustments made during the 2021-22 budget process included:

- Pupil Count and State Aid (*January 2022, Budget Amendment #1; June 2022, Budget Amendment #2*) – The total pupil count was 3,550, which is higher than what was projected. There were several components to this:
 - Traditional K-12 count – K-12 student count of 3,526, compared to original projected count of 3,478. This increase of 48 students leads to a projected increase of about \$478,500 in state aid revenue.
 - Alternative education student count – preliminary fall count of 24 students. This is a slight increase from last year's count of 21.
- State pension funding through Section 147 (*January 2022, Budget Amendment #1; June 2022, Budget Amendment #2*) – the School District received slightly more than originally projected in MPSERS 147A and 147C funding. In total, these sources brought in a little over \$3.7 million in 2021-22, which kept our total pension costs at nearly 40% of payroll. Section 147C funding increased to nearly \$3.04 million from the original projected amount of \$2.78 million. This amount equated to almost \$900 per pupil that was received from the State of Michigan and passed right back to the pension program.
 - Pension funding through Section 147E (*June 2022, Budget Amendment #2*) – this funding revenue source was implemented mid-year in 2017-18. The allocation was approximately \$92,000 and will be used to help offset increased defined contribution costs for new hires in the pension system.
- Federal Title grant revenue updates (*January 2022, Budget Amendment #1*) –
 - Title I-A – The projected grant budget for 2021-22 was approximately \$458,000, a decrease from the original budget of \$495,000. Budget planning has taken a more conservative approach over the years, and reductions have been made in this grant.
 - Title II-A – The projected grant budget for 2021-22 is approximately \$188,000. This is a slight increase from the original 2021-22 budget due to a higher than anticipated carryover amount.
- Federal IDEA grant revenue updates (*January 2022, Budget Amendment #1; June 2022, Budget Amendment #2*) The three IDEA grants increased by nearly \$67,000 from original projections during the year. The total projected revenue available among three IDEA grants was approximately \$1,421,000.
- From the initial budget in June 2021 to budget amendment #2 in June 2022, total revenue increased by approximately \$3.6 million, an increase of about 8.9%. The most significant factors in this change came in higher per pupil funding and ESSER funding.

- R-PS Budgetary Highlights:
- Explain significant variances and changes in the write up.
- How much detail is appropriate? Up to you and your circumstances.

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| | <u>2021-22 General Fund</u> | | |
|-------------------------------------|-----------------------------|---------------------|---------------|
| | <u>Initial Budget</u> | <u>Final Budget</u> | <u>Actual</u> |
| Revenues | | | |
| Local revenue | | | |
| Local sources | \$ 2,838,975 | \$ 2,846,508 | \$ 2,954,976 |
| Received from other districts | 1,480,188 | 1,800,787 | 1,864,480 |
| State revenue | 32,111,495 | 35,081,120 | 34,980,607 |
| Federal revenue | 3,431,450 | 3,703,337 | 3,472,672 |
| Transfers and other | 80,000 | 70,000 | 255,629 |
| Total revenues | \$ 39,942,108 | \$ 43,501,752 | \$ 43,528,364 |
| Variance of actual from budget | \$ 3,586,256 | \$ 26,612 | |
| | 9.0% | 0.1% | |
| 2021-22 General Fund | | | |
| | <u>Initial Budget</u> | <u>Final Budget</u> | <u>Actual</u> |
| Expenditures | | | |
| Instruction | \$ 23,975,785 | \$ 25,096,383 | \$ 24,993,244 |
| Instructional support | 5,774,738 | 6,286,446 | 5,954,593 |
| Business and administration | 4,412,388 | 4,445,386 | 4,618,981 |
| Maintenance and operations | 3,142,654 | 3,273,163 | 3,263,358 |
| Transportation | 2,113,513 | 2,160,110 | 2,117,866 |
| Athletics | 981,699 | 875,647 | 857,618 |
| Other | - | 209,966 | 210,452 |
| Community, transfers, and other | 173,277 | 509,199 | 394,795 |
| Total expenditures | \$ 40,574,054 | \$ 42,856,300 | \$ 42,410,907 |
| Variance of actual from budget | \$ 1,836,853 | \$ (445,393) | |
| | 4.5% | -1.0% | |
| Change in Fund Balance | \$ (631,946) | \$ 645,452 | \$ 1,117,457 |
| Variance of actual from budget | \$ 1,749,403 | \$ 472,005 | |
| Percentage of budgeted expenditures | 4.3% | 1.1% | |

- Initial Budget to Actual
- Variance in terms of percentage can help to put it into perspective

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Revenue

- Local revenues from local sources higher than budget estimates: \$108,000 or 3.8%. The variance is specifically related to taxes received. There was a collection issue with one of our townships, and we were not certain it would be resolved before the 60-day rule. The School District did, however, receive the past due payment, and therefore, it was recognized in the 2021-22 fiscal year.
- Local revenue sources received from other districts higher than estimated: \$64,000 – This variance came in higher due to higher than anticipated receipts of Medicaid funds.
- State revenues lower than estimated: (\$100,500) – The variance represents about 0.3% of this category. This variance was related to small grant adjustments and the unknown amount of the MPSERS August payment.
- Federal revenues lower than estimated: (\$231,000) – Since full grant allocations must be appropriated, any carryover shows up as a budget variance. Title I-A, and Title II-A budgets combined came in approximately \$50,000 under approved award amounts. ESSER II funds came in \$128,000 under approved award amounts. IDEA revenue received matched approved award amounts. These grants are reimbursement-based, meaning this variance has no impact on the School District's bottom line. These amounts will be carried over into the 2022-23 year.
- Incoming Transfers and Other Sources higher than estimated: \$186,000 – This category represents indirect cost recovery from the food service fund, as well as irregular or non-recurring items like sale of fixed assets, insurance claim reimbursements, and prior period adjustments. The allowable food service indirect amount was lower than budgeted and is governed by Michigan Department of Education guidelines. A year-end reclassification of the printer lease receipt was the largest variance in this grouping.
- Revenue higher than budgeted: approximately - \$26,600 or about 0.06% of the \$43.5 million budget.

Expenditures

Budget variances in expenditures by functional category are highlighted below:

- Instruction - approximately (\$103,000) under budget or approximately 0.4% of this category. The Summer Acceleration program caused some projected costs to not be paid out by June 30, 2022, but those expenses will show up in the 2022-23 school year.

- R-PS Budgetary Highlights:
- Significant variances are changes are explained in the write up
- May include tables and summaries
- Note some “Management is doing good stuff” or “Management did the best they could in a bad situation” comments.

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Budget variances in expenditures by object category are highlighted below:

| General Fund Expenditures by Object | 2021-22 Budget | Percent of total | 2021-22 Actual | Percent of total | Variance | Percent of object |
|--|----------------------|---------------------|----------------------|---------------------|-------------------|----------------------|
| Salaries and Wages | \$ 19,409,759 | 45.4% | \$ 19,305,626 | 45.5% | \$ 104,133 | 0.5% |
| Benefits | 14,872,705 | 34.7% | 14,689,761 | 34.6% | 182,944 | 1.2% |
| Purchased services | 5,585,810 | 13.0% | 5,282,192 | 12.5% | 303,618 | 5.4% |
| Supplies | 1,550,655 | 3.6% | 1,546,824 | 3.6% | 3,831 | 0.2% |
| Capital Outlay | 12,930 | 0.0% | 205,604 | 0.5% | (192,674) | -1490.1% |
| Other | 1,424,441 | 3.3% | 1,380,900 | 3.3% | 43,541 | 3.1% |
| Total | <u>\$ 42,856,300</u> | 100.0% | <u>\$ 42,410,907</u> | 100.0% | <u>\$ 445,393</u> | 1.0% |

- Amounts spent on salaries and wages were lower than budgeted, within 0.5% of the \$19.3 million budget.
- Amounts spent on employee benefits were under budget by approximately \$183,000 or 1.2%, for several reasons. Pension costs were within \$129,000 of estimates, or about 1.5% of the \$8.5 million budget. Ancillary benefits such as dental and vision, came in about \$10,000 under budget. These lines of coverage are partially self-funded, and the School District experiences the benefit of lower claims costs.
- Other benefits, including unemployment coverage, workers compensation insurance, retirement benefits, and tuition allowances, came in about \$20,000 under budget. These are relatively small numbers in the scheme of the larger budget.
- Purchased services costs came in under budget by approximately \$304,000 or 5.4% of the \$5.6 million budgeted. Lower than anticipated substitute costs and mowing were the driving force behind this variance.
- Supply costs came in approximately \$4,000 under budget, or about 0.2%. Lower than expected instructional and office supplies along with the timing of maintenance invoices are the largest variances in this category.

- Expenditures by Object:
- Show how much the district spends on human capital!
- Discuss the variances

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| | Debt Obligations | | | | |
|--|-------------------------|--------------------|---------------------|--------------------------|--------------------|
| | July 1, 2021 Balance | Additions | Deductions | June 30, 2022 Balance | Current |
| Debt obligations (Bonds, and notes from direct borrowings and direct placements) | \$ 65,678,033 | \$ 2,226,670 | \$ 6,451,666 | \$ 61,453,037 | \$ 5,768,885 |
| Compensated absences and early retirement obligations | 930,900 | 176,536 | 255,586 | 851,850 | 214,250 |
| Net pension liability | 74,373,077 | - | 25,073,470 | 49,299,607 | - |
| Net other postemployment benefits liability | 16,288,791 | - | 8,894,673 | 7,394,118 | - |
| Total Long-term Obligations | \$157,270,801 | \$2,403,206 | \$40,675,395 | \$ 118,998,612 | \$5,983,135 |

The ending balance of debt obligations as of June 30, 2022 is lower than the beginning balance by approximately \$38.2 million. Additions shown above represent borrowing from the State of Michigan GO School Loan Revolving Fund, accreted interest on capital appreciation bonds, and capital lease proceeds. Reductions in outstanding debt include principal and interest payments made according to bonded debt schedules, and amortization of bond premiums. For more information on debt, please see Note H in the notes to the financial statements.

- R-PS Capital Assets and Debt Summary
- Often this is just a summary of the footnote info but remember it is an opportunity to highlight and explain significant factors and highlight operational changes.

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Currently known facts, decisions, and conditions affecting the 2022-23 School Year

2022-23 Initial General Fund Budget (June 2022 Budget Hearing)

The adopted budget for the 2022-23 fiscal year projects an operational surplus of \$751,396. This budget will be amended to reflect updated factors such as foundation grant information, actual student counts, and final staffing levels. The main assumptions for the 2022-23 budget are:

- State Aid Revenue – this budget is prepared based upon certain assumptions made from various budget proposals. The Senate and House have offered responses to the Governor's first budget proposal. The May CREC offered a great position in the State's General Fund and School Aid Fund. At this time, we do not have a solid timeline for the final passage of the budget. Recommended assumptions include:
 - The per-pupil foundation allowance of \$9,100 which is an increase of \$400 per pupil. This with the decline in student enrollment will net a gain of \$1.19 million.
 - Section 31a At-Risk – we have not included slight decrease in this area. Any changes in this grant fund will occur through budget amendments after the 2022-23 year begins. This grant helps to supplement instructional and student service positions, as well as early elementary literacy and district-wide PBIS initiatives.
 - Section 35 early literacy funding of approximately \$41,000, continued at same level as 2021-22.
 - Section 147 pension funding of over \$3 million – more detail below in the "MPSERS" section.
 - Section 61d CTE pupil incentive funding – approximately \$4,300.
 - Special Education expenditure reimbursement – continued at same level as 2021-22. Any adjustments needed after the year begins will be addressed in budget amendments.
- Pupil Count – total pupil count of 3,525 for 2022-23. There are several components to this:
 - Traditional K-12 count – K-12 student count of 3,501 which is a decrease of 25 pupils from the spring 2022 count.
 - Alternative education student count of 24 students which is flat from the 2021-22 count.

- R-PS Factors Bearing on the District's Future
 - Tell your story!
 - Reeths-Puffer's – a little more detailed...
 - Put the onus on revenue where it belongs
 - Explain your assumptions used when gazing into your crystal ball

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Reeths-Puffer Schools
MANAGEMENT'S DISCUSSION AND ANALYSIS
 For the Fiscal Year Ended June 30, 2022

This proposed budget factors all assumptions above and includes total revenue of approximately \$43.08 million in revenue and \$42.33 million in expenditures, for a projected spending surplus of \$751,396. The estimated beginning fund balance for 2022-23 is approximately \$5.8 million, or 13.7% of 2021-22 expenditures, and this amended budget will leave a fund balance of approximately \$6.56 million at the conclusion of the year, or 15.5% of projected 2022-23 expenditures.

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

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

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

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

The millage rate for 2014-15 was increased by 1.0 mills to 9.37 mills, or an 11.49% increase, equal to the loss in taxable values experienced over the past five years. For 2015-16, a slight taxable value increase was experienced by the School District. This increase forced the School District to gain compliance with the MLRD, meaning an even bigger increase to 10.82 mills. For 2016-17, the School District was fortunate to be able to reduce the

- R-PS Factors Bearing on the District's Future
 - Teach some history

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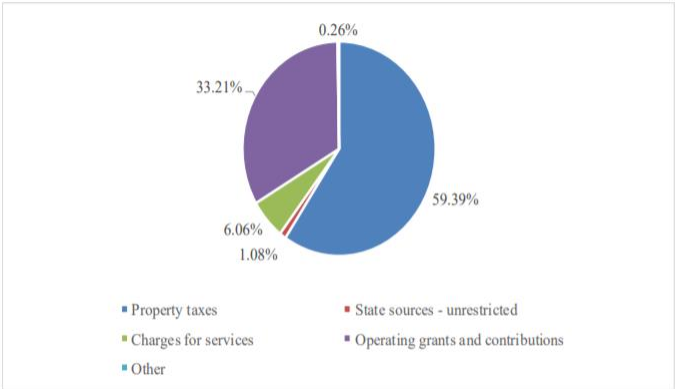
Employee Contracts (MEA affiliates)

As of the report date, the R-PEA, R-P OPPA and R-P MFS are the three organized labor groups under contract for the 2022-23 school year. The R-PEA certified staff contract, covering teachers and non-teaching professional instructional support, was ratified in August 2021 and expired June 30, 2022. The District and R-PEA are currently in negotiations. The R-P MFS contract, covering the maintenance and food service, was ratified in November 2020 and is expiring June 30, 2023. The R-P OPPA contract, covering the secretarial and para-professional group, was ratified in July 2022 and expires June 30, 2025.

- R-PS Factors Bearing on the District's Future
 - Share the status of bargaining group contracts

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Revenues by Source - District Activities

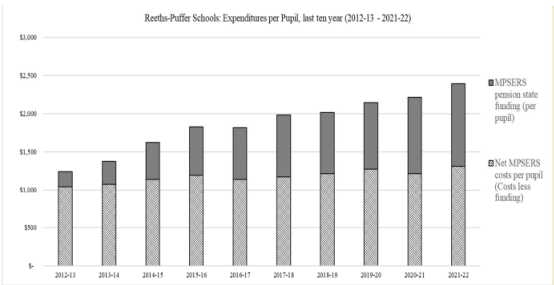


- Use of Graphics
- What do you want to emphasize?
- How do you get your point across and make it easy to read?

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Reeths-Puffer Schools
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2022

The per-pupil cost net of funding for 2021-22 was \$1,311 per-pupil. Even compared to nine years ago, when the State of Michigan started Section 147 funding, the School District's net cost has increased over \$500,000 per year. The trend over the last ten years is illustrated on a per-pupil basis in the graph below.



Without the additional funding and extra expenditures, the School District's total General Fund budget would be closer to \$34.5 million in 2021-22 instead of approximately \$42.9 million. The impact, shown in the graph below, is that while the School District is spending more per-pupil in total, there is a larger portion that is going back into the State of Michigan MPERSERS pension system. This means there is a flat or declining amount of resources that can be devoted to employee salaries, insurance benefits, supplies, and purchased services.

- Use of Graphics
- What do you want to emphasize?
- How do you get your point across and make it easy to read?

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MD&A Resources Questions?

- Have a great start to the school year!

- Contact:

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