



**MUSKEGON HEIGHTS PUBLIC SCHOOL
ACADEMY SYSTEM**

MUSKEGON HEIGHTS, MICHIGAN

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021



Vredeveld Haefner LLC
CPAs and Consultants

MUSKEGON HEIGHTS PUBLIC SCHOOL ACADEMY SYSTEM

TABLE OF CONTENTS

FINANCIAL SECTION	<u>PAGE</u>
Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-7
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	9
Statement of Activities	11
Fund Financial Statements	
Balance Sheet – Governmental Funds	12
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Position of Governmental Activities on the Statement of Net Position	13
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	14
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Notes to Financial Statements	17-34
Required Supplementary Information	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	35
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Food Service Fund	36
Defined Benefit Pension Plan	
Schedule of Academy's Proportionate Share of Net Pension Liability	37
Schedule of Academy's Pension Contributions	38
Other Post-Employment Benefits Plan	
Schedule of Academy's Proportionate Share of Net OPEB Liability	39
Schedule of Academy's OPEB Contributions	40
SINGLE AUDIT SECTION	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	41-42
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	43-44
Schedule of Expenditures of Federal Awards	45-46
Notes to Schedule of Expenditures of Federal Awards	47
Schedule of Findings and Questioned Costs	48-49
Corrective Action Plan	50



Vredeveld Haefner LLC

CPAs and Consultants
10302 20th Avenue
Grand Rapids, MI 49534
Fax (616) 828-0307

Douglas J. Vredeveld, CPA
(616) 446-7474
Peter S. Haefner, CPA
(616) 460-9388

INDEPENDENT AUDITORS' REPORT

October 27, 2021

Members of the Board of Directors
Muskegon Heights Public School Academy System
Muskegon Heights, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Muskegon Heights Public School Academy System, Muskegon Heights, Michigan, (the Academy) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Muskegon Heights Public School Academy System as of June 30, 2021, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 7 and the schedules on pages 35 through 40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Academy's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards 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. Such 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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2021, on our consideration of the Academy'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 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 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 Academy's internal control over financial reporting and compliance.

Uredaxeld Haefner LLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of Muskegon Heights Public School Academy System (the Academy), we offer readers of the Academy's financial statements this narrative overview and analysis of the financial activities of the Academy for the fiscal year ended June 30, 2021. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

Financial Highlights

- The Academy received \$233,574 for increasing enrollment.
- The Academy received \$490,891 through State aid for 21H partnership funds.
- The Academy received a \$608,000 Michigan Comprehensive Literacy State Development Project grant.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Academy's financial statements. The Academy's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Academy's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the Academy's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Academy is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., unfunded pension and OPEB liabilities).

Both of the government-wide financial statements display functions of the Academy that are principally supported by intergovernmental revenues (*governmental activities*). The governmental activities of the Academy include instruction, support services, food service and community services. The Academy does not have any business-type activities.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Academy, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Academy are considered to be governmental funds.

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Academy maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General fund and Food Service fund which are considered to be major funds. The nonmajor fund (Technology Service) is a special revenue fund.

The Academy adopts an annual appropriated budget for its General and all special revenue funds. A budgetary comparison schedule has been provided herein for the major funds to demonstrate compliance with the budgets.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. Required supplementary information includes this management discussion and analysis as well as schedules of major fund budget to actual information and required pension and other post-employment benefits schedules.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Academy, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$1,790,157 at the close of the most recent fiscal year.

A portion of the Academy's net position reflects amounts restricted for food service and technology. A significant portion of net position is invested in capital assets (e.g., building improvements and equipment), less any related debt used to acquire those assets that is still outstanding. The Academy uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the Academy's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

Net Position		
	Governmental Activities	
	<u>2021</u>	<u>2020</u>
Assets		
Current and other assets	\$3,238,265	\$2,966,061
Capital assets	928,918	926,713
Total assets	4,167,183	3,892,774
Deferred outflows of resources	809,159	986,262
Liabilities		
Other liabilities	1,253,286	1,340,614
Long-term liabilities outstanding	1,559,111	1,678,893
Total liabilities	2,812,397	3,019,507
Deferred inflows of resources	373,788	292,598
Net position		
Net investment in capital assets	909,836	899,329
Restricted	974,596	505,247
Unrestricted	(94,275)	162,355
Total net position	\$1,790,157	\$1,566,931

Net position of the Academy increased by \$223,226 during the year primarily due to additional grants received during the year.

Activities		
	Governmental Activities	
	<u>2021</u>	<u>2020</u>
Revenues		
Program revenue		
Charges for services	\$ 101,273	\$ 77,345
Operating grants and contributions	4,673,893	3,953,742
Capital grants and contributions	-	-
General revenue		
Grants and contributions not restricted to specific programs	4,876,886	4,508,118
Other	362	1,835
Total revenues	9,652,414	8,541,040
Expenses		
Instruction	2,376,720	2,324,943
Support services	5,916,758	5,628,356
Community services	81,098	8,745
Food service	1,053,110	1,157,111
Interest	1,502	2,830
Total expenses	9,429,188	9,121,985
Increase (decrease) in net position	223,226	(580,945)
Net position, beginning of year	1,566,931	2,147,876
Net position, end of year	\$1,790,157	\$1,566,931

Governmental Activities

During the year the Academy expended 25% of its total expenses on instruction and 63% on support services such as guidance service, transportation, building operation and maintenance and administration. The remaining 12% of expenses was for community and food service.

Financial Analysis of the Government's Funds

As noted earlier, the Academy uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Academy's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Academy's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the Academy's governmental funds reported combined ending fund balances of \$1,993,824, an increase of \$360,075 in comparison with the prior year.

The General fund is the chief operating fund of the Academy. At the end of the current fiscal year, unassigned fund balance of the General fund was \$732,079. As a measure of the General fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 8.9% of total General fund expenditures. The fund balance of the Academy's General fund decreased by \$109,274 during the current fiscal year.

Total revenues of the Food Service fund were \$1,417,951 with total expenditures of \$1,036,665. The ending fund balance was \$821,527, an increase of \$381,286.

Budgetary Highlights

- Staff received a 3% salary increase.
- The Academy experienced an increase in enrollment which resulted in increased State aid revenues.
- The Academy used Governor's Emergency Education Relief funding for student technology.

Capital Asset and Debt Administration

Capital assets. The Academy's investment in capital assets for its governmental activities as of June 30, 2021, amounted to \$928,918 (net of accumulated depreciation).

The Academy's capital assets (net of depreciation) are summarized as follows:

	Governmental Activities
Site improvements	\$427,364
Furniture and equipment	484,795
Equipment under capital leases	16,759
Total	<u>\$928,918</u>

During the year, the Academy's major purchases included primarily technology and kitchen equipment. Additional information on the Academy's capital assets can be found in Note 4 of this report.

Debt. At year-end the Academy's long-term debt outstanding consisted of a capital lease totaling \$19,082. Additional information on the Academy's long-term debt can be found in Note 6 of this report.

Economic Factors and Next Year's Budgets

The following factors were considered in preparing the Academy's budget for the 2021-22 fiscal year:

- The Academy budgeted for enrollment of 671.
- The Academy projected a staff increase due to larger elementary numbers.
- The Academy budgeted \$8,411 per student for State aid foundation revenues.

Requests for Information

This financial report is designed to provide a general overview of the Academy's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Administration Office, Muskegon Heights Public School Academy System, 2441 Sanford Street, Muskegon Heights, Michigan, 49444.

(This page left intentionally blank)

BASIC FINANCIAL STATEMENTS

MUSKEGON HEIGHTS PUBLIC SCHOOL ACADEMY SYSTEM

STATEMENT OF NET POSITION

JUNE 30, 2021

	Governmental Activities
Assets	
Cash and deposits	\$ 1,478,166
Due from other governments	1,757,334
Prepaid items	2,765
Capital assets, net	
Site improvements and furniture and equipment	<u>928,918</u>
Total assets	<u>4,167,183</u>
Deferred outflows of resources	
Deferred outflows related to pension	490,667
Deferred outflows related to other post-employment benefits	<u>318,492</u>
Total deferred outflows of resources	<u>809,159</u>
Liabilities	
Accounts payable	823,606
Due to other governments	26,946
Short-term notes payable	167,331
Unearned revenue	226,558
Debt due within one year	8,845
Noncurrent liabilities	
Net pension liability	1,326,917
Net other post-employment benefits liability	221,957
Debt due in more than one year	<u>10,237</u>
Total liabilities	<u>2,812,397</u>
Deferred inflows of resources	
Deferred inflows related to pensions	93,911
Deferred inflows related to other post-employment benefits	<u>279,877</u>
Total deferred inflows of resources	<u>373,788</u>
Net position	
Net investment in capital assets	909,836
Restricted	
Food service	821,527
Technology and safety	153,069
Unrestricted	<u>(94,275)</u>
Total net position	<u>\$ 1,790,157</u>

The accompanying notes are an integral part of these financial statements.

(This page left intentionally blank)

MUSKEGON HEIGHTS PUBLIC SCHOOL ACADEMY SYSTEM

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2021

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	
Primary government				
Governmental activities				
Instruction	\$ 2,376,720	\$ -	\$ 2,500,681	\$ 123,961
Support services	5,916,758	99,709	756,825	(5,060,224)
Food service	1,053,110	1,564	1,416,387	364,841
Community services	81,098	-	-	(81,098)
Interest	<u>1,502</u>	<u>-</u>	<u>-</u>	<u>(1,502)</u>
Total governmental activities	<u>\$ 9,429,188</u>	<u>\$ 101,273</u>	<u>\$ 4,673,893</u>	<u>(4,654,022)</u>
General revenues				
Unrestricted grants and contributions				4,876,886
Interest earnings				<u>362</u>
Total general revenues				<u>4,877,248</u>
Change in net position				223,226
Net position, beginning of year				<u>1,566,931</u>
Net position, end of year				<u>\$ 1,790,157</u>

The accompanying notes are an integral part of these financial statements.

MUSKEGON HEIGHTS PUBLIC SCHOOL ACADEMY SYSTEM

GOVERNMENTAL FUNDS BALANCE SHEET

JUNE 30, 2021

	<u>General</u>	<u>Special Revenue Food Service</u>	<u>Nonmajor Governmental Fund</u>	<u>Total</u>
Assets				
Cash and deposits	\$ 608,794	\$ 704,039	\$ 165,333	\$ 1,478,166
Due from other governmental units	1,537,972	211,517	7,845	1,757,334
Prepaid items	2,765	-	-	2,765
Total assets	<u>\$ 2,149,531</u>	<u>\$ 915,556</u>	<u>\$ 173,178</u>	<u>\$ 3,238,265</u>
Liabilities and fund balances				
Liabilities				
Accounts payable	\$ 709,468	\$ 94,029	\$ 20,109	\$ 823,606
Due to other governmental units	26,946	-	-	26,946
Short-term notes payable	167,331	-	-	167,331
Unearned revenue	226,558	-	-	226,558
Total liabilities	<u>1,130,303</u>	<u>94,029</u>	<u>20,109</u>	<u>1,244,441</u>
Fund balances				
Non-spendable				
Prepaid items	2,765	-	-	2,765
Restricted				
Food service	-	821,527	-	821,527
Assigned				
Subsequent year expenditures	284,384	-	-	284,384
Technology	-	-	153,069	153,069
Unassigned	732,079	-	-	732,079
Total fund balances	<u>1,019,228</u>	<u>821,527</u>	<u>153,069</u>	<u>1,993,824</u>
Total liabilities and fund balances	<u>\$ 2,149,531</u>	<u>\$ 915,556</u>	<u>\$ 173,178</u>	<u>\$ 3,238,265</u>

The accompanying notes are an integral part of these financial statements.

MUSKEGON HEIGHTS PUBLIC SCHOOL ACADEMY SYSTEM

**RECONCILIATION OF FUND BALANCES ON THE BALANCE SHEET
FOR GOVERNMENTAL FUNDS TO NET POSITION OF
GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET POSITION**

JUNE 30, 2021

Fund balances - total governmental funds	\$ 1,993,824
Amounts reported for <i>governmental activities</i> in the statement of net position are different because	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	
Add - capital assets (net)	928,918
Certain liabilities and deferred outflows (long-term in nature are not due and payable in the current period and therefore are not reported in the funds.	
Deduct - net pension liability	(1,326,917)
Deduct - net other post-employment benefits liability	(221,957)
Deduct - deferred inflows related to pensions	(93,911)
Deduct - deferred inflows related to other post-employment benefits	(279,877)
Add - deferred outflows related to pensions	490,667
Add - deferred outflows related to other post-employment benefits	318,492
Deduct - long-term debt payable	<u>(19,082)</u>
Net position of governmental activities	<u>\$ 1,790,157</u>

The accompanying notes are an integral part of these financial statements.

MUSKEGON HEIGHTS PUBLIC SCHOOL ACADEMY SYSTEM

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES**

FOR THE YEAR ENDED JUNE 30, 2021

	<u>General</u>	<u>Special Revenue Food Service</u>	<u>Nonmajor Governmental Fund</u>	<u>Total</u>
Revenues				
Local sources	\$ 154,901	\$ 11,150	\$ -	\$ 166,051
State sources	5,989,410	28,766	-	6,018,176
Federal sources	1,776,543	1,378,035	-	3,154,578
Interdistrict sources	187,164	-	126,445	313,609
Total revenues	<u>8,108,018</u>	<u>1,417,951</u>	<u>126,445</u>	<u>9,652,414</u>
Expenditures				
Current				
Instruction	2,376,720	-	-	2,376,720
Support services	5,288,481	-	38,382	5,326,863
Community services	81,098	-	-	81,098
Food service	-	1,036,665	-	1,036,665
Intergovernmental payments	461,189	-	-	461,189
Debt service				
Principal	8,302	-	-	8,302
Interest	1,502	-	-	1,502
Total expenditures	<u>8,217,292</u>	<u>1,036,665</u>	<u>38,382</u>	<u>9,292,339</u>
Net change in fund balances	(109,274)	381,286	88,063	360,075
Fund balances, beginning of year	<u>1,128,502</u>	<u>440,241</u>	<u>65,006</u>	<u>1,633,749</u>
Fund balances, end of year	<u>\$ 1,019,228</u>	<u>\$ 821,527</u>	<u>\$ 153,069</u>	<u>\$ 1,993,824</u>

The accompanying notes are an integral part of these financial statements.

MUSKEGON HEIGHTS PUBLIC SCHOOL ACADEMY SYSTEM
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2021

Net changes in fund balances - total governmental funds	\$	360,075
<p>Amounts reported for <i>governmental activities</i> in the statement of activities are different because</p> <p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.</p>		
Add - capital outlay		240,772
Deduct - depreciation expense		(238,567)
<p>Long-term debt provides current financial resources to governmental funds in the period issued, but issuing long-term debt increases long-term liabilities in the statement of net position. Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.</p>		
Add - principal payment on long-term debt		8,302
<p>Some 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 funds.</p>		
Add - decrease in net pension liability		85,720
Add - decrease in net other post-employment benefits liability		25,217
Deduct - decrease in deferred outflows related to pensions		(208,630)
Add - increase in deferred outflows related to other post-employment benefits		31,527
Deduct - increase in deferred inflows related to pensions		(40,621)
Deduct - increase in deferred inflows related to other post-employment benefits		(40,569)
Change in net position of governmental activities	\$	<u>223,226</u>

The accompanying notes are an integral part of these financial statements.

(This page left intentionally blank)

MUSKEGON HEIGHTS PUBLIC SCHOOL ACADEMY SYSTEM

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Muskegon Heights Public School Academy System, Muskegon Heights, Michigan (the Academy) conform to generally accepted accounting principles as applicable to governments. The following is a summary of the significant policies.

Reporting Entity

The Academy (located in the City of Muskegon Heights, Muskegon County, Michigan) was formed as a charter school pursuant to the Michigan School Code. The Academy's authorizer is the School District of the City of Muskegon Heights (the Authorizer) who is paid 3% of state-aid payments received by the Academy. As such, the Academy provides education and related services to approximately 600 students in grades pre-kindergarten through 12th grade and provides all special education needs to children of Muskegon Heights from birth to five-years-old and eighteen to twenty-six. The Academy is governed by a Board of Directors nominated by the Academy and subject to the Authorizer's appointment. The Academy is administered by the Superintendent appointed by the Board of Directors. Staffing, other than the Superintendent, Assistant Superintendent, Chief Financial Officer and the Special Education Director, is provided through contractual arrangements with unrelated third parties.

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of Muskegon Heights Public School Academy System. There are no component units to be included. The criteria for including a component unit include significant operational or financial relationships with the Academy.

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 special purpose government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by intergovernmental revenues are reported in total. The Academy has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *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. Other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Major governmental funds are reported as separate columns in the fund financial statements.

The Academy reports the following major governmental funds:

The *General Fund* is the general operating fund of the Academy. It is used to account for all financial resources, except those required to be accounted for in another fund.

MUSKEGON HEIGHTS PUBLIC SCHOOL ACADEMY SYSTEM

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

The *Food Service Fund* is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for the food service program.

Additionally, the Academy reports the following fund type:

The *Special Revenue Fund (Technology Services)* is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Measurement Focus and Basis of Accounting

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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, except for reimbursement-based grants and interest which use one year. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. Exceptions to this general rule include principal and interest on long-term debt, claims and judgments, and compensated absences which are recognized when due.

All governmental funds are accounted for on a spending or “flow of current financial resources” measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance is considered a measure of “available, spendable resources”.

Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of “available, spendable resources” during a period.

Budgets and Budgetary Accounting

Comparisons to budget are presented for each major fund. The Academy follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the Board of Directors a proposed operating budget for the fiscal year commencing the following July 1.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally enacted through passage of a resolution.
4. Budgets for the General and special revenue funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

MUSKEGON HEIGHTS PUBLIC SCHOOL ACADEMY SYSTEM

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

5. The budgets are legally adopted at the activity level. Any revisions that alter the total expenditures at the activity level (legal level of budgetary control) must be approved by the Board of Directors.
6. Formal budgetary integration is employed as a management control device during the year for the General and special revenue funds.
7. Adoption and amendments of all budgets used by the Academy are governed by Michigan Law. The appropriation ordinances are based on the projected expenditures budget of the various activities of the Academy. Any amendment to the original budget must meet the requirements of Michigan Law. The Academy amended its budget for the current fiscal year.

Cash and Deposits

Michigan law and Academy policy authorizes the Academy to invest in:

- a. Bonds, bills or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States, or obligations of the State. In a primary or fourth class school academy, the bonds, bills or notes shall be payable at the option of the holder upon not more than 90 days notice or, if not so payable, shall have maturity dates not more than 5 years after the purchase dates.
- b. Certificates of deposit issued by a state or national bank, savings accounts of a state or federal savings and loan association, or certificates of deposit or share certificates of a state or federal credit union organized and authorized to operate in this State.
- c. Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
- d. Securities issued or guaranteed by agencies or instrumentalities of the United States, United States or federal agency obligation repurchase agreements, and bankers' acceptances issued by a bank that is a member of the federal deposit insurance corporation.
- e. Mutual funds that are composed entirely of investment vehicles that are legal for direct investment by a school academy.
- f. Investment pools, as authorized by the surplus funds investment pool act, composed entirely of instruments that are legal for direct investment by a school academy.

Due To and Due From Other Funds

Interfund receivables and payables are short-term borrowings that arise from interfund transactions which are recorded by all funds affected in the period in which transactions are executed.

Capital Assets

Capital assets, which include property and equipment, are reported in the governmental activities column in the government-wide financial statements.

Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist.

MUSKEGON HEIGHTS PUBLIC SCHOOL ACADEMY SYSTEM

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

Donated capital assets are valued at acquisition value (the price that would be paid to acquire an asset with an equivalent service potential in an orderly market transaction) on the date received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Depreciation on capital assets is computed using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Site improvements	10-20
Furniture and equipment	5-12
Equipment under capital leases	5

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial 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/ expenditure) until then. The Academy has items that qualify for reporting in this category relating to pension and post-employment benefit plans as itemized in Note 5.

In addition to liabilities, the statement of financial 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. The Academy has items that qualify for reporting in this category relating to pension and post-employment benefit plans as itemized in Note 5.

Unearned Revenue

Governmental funds and the statement of net position report unearned revenue at year-end in connection with grants received in advance of related expenditures being incurred. The balance of unearned revenues will be recorded as revenue in future years when related expenditures are incurred.

Pension

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

Post-employment Benefits Other Than Pensions

For purposes of measuring the net other postemployment benefit (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, information about the fiduciary net position of 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.

MUSKEGON HEIGHTS PUBLIC SCHOOL ACADEMY SYSTEM

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

Long-Term Obligations

In the government-wide financial statements, the long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position.

State Aid Revenue

The Academy reports State of Michigan school aid in the fiscal year in which the Academy is entitled to the revenue as provided by the State of Michigan School Aid Appropriation Act. State funding accounted for 74% of the General fund revenue for the year. A certain portion of State aid received by the Academy is restricted to cover specified expenses of the Academy, including special education costs. The unrestricted portion is for the use in the general operations of the Academy.

Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

Risk Management

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; natural disasters and medical benefits to employees. The Academy carries commercial insurance for various risks of loss and employee benefits. The Academy has had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years.

Net Position and Fund Balance Reporting

Governmental funds report fund balance in the following five categories:

1. Non-spendable – the related asset's form does not allow expenditure of the balance. The assets are either (a) not in a spendable form or (b) legally or contractually required to be maintained intact. Nonspendable fund balance would be equal to inventory, prepaid items, non-current financial assets, and the nonspendable portion of endowments.
2. Restricted – the related assets can only be spent for the specific purposes stipulated by constitution, external resource providers, or as identified in enabling legislation.
3. Committed – the related assets can only be spent for a specific purpose identified by formal resolution of the Academy's governing board.
4. Assigned – the related assets can only be spent for a specific purpose identified by formal resolution of the Academy's governing board. The Board has not delegated authority for the ability to assign fund balance.
5. Unassigned – is the residual classification and includes all spendable amounts not contained in the other classifications.

MUSKEGON HEIGHTS PUBLIC SCHOOL ACADEMY SYSTEM

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

Net Position and Fund Balance Flow Assumptions

Sometimes the Academy 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 to report as restricted – net position/fund balance and unrestricted – net position/fund balance, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to use restricted resources first, then unrestricted resources as they are needed. 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.

2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

State law provides that the Academy shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Academy's actual expenditures and budgeted expenditures for the budgeted funds have been shown at the activity level. The approved budgets of the Academy for these budgetary funds were adopted at the activity level. During the year ended June 30, 2021, the Academy incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated.

	<u>Budget</u>	<u>Actual</u>	<u>Negative Variance</u>
General Fund			
Support services			
Central services	\$113,183	\$114,129	\$ 946
Debt service			
Interest and fiscal charges	-	1,502	1,502

3. CASH AND DEPOSITS

The balance on the financial statements for cash is \$1,478,166. The deposits are in financial institutions located in Michigan. All accounts are in the name of the Academy and a specific fund or common account. They are recorded in Academy records at fair value.

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Academy's deposits may not be returned. As of year-end, \$1,480,162 of the Academy's bank balance of \$1,730,162 was exposed to custodial credit risk because it was uninsured and uncollateralized.

MUSKEGON HEIGHTS PUBLIC SCHOOL ACADEMY SYSTEM

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

4. CAPITAL ASSETS

Capital asset activity for the year was as follows:

	Balance July 1, <u>2020</u>	<u>Additions</u>	<u>Deletions</u>	Balance June 30, <u>2021</u>
Governmental activities				
Capital assets, being depreciated				
Site improvements	\$1,043,598	\$ -	\$ -	\$1,043,598
Furniture and equipment	774,581	240,772	-	1,015,353
Equipment under capital leases	41,896	-	-	41,896
Total capital assets, being depreciated	<u>1,860,075</u>	<u>240,772</u>	<u>-</u>	<u>2,100,847</u>
Less accumulated depreciation for				
Site improvements	533,789	82,445	-	616,234
Furniture and equipment	382,815	147,743	-	530,558
Equipment under capital leases	16,758	8,379	-	25,137
Total accumulated depreciation	<u>933,362</u>	<u>238,567</u>	<u>-</u>	<u>1,171,929</u>
Net capital assets, being depreciated	<u>926,713</u>	<u>2,205</u>	<u>-</u>	<u>928,918</u>
Governmental activities capital assets, net	<u>\$ 926,713</u>	<u>\$ 2,205</u>	<u>\$ -</u>	<u>\$ 928,918</u>

Depreciation expense was charged to activities as follows:

Governmental activities	
Support services	\$217,704
Food service	<u>20,863</u>
Total depreciation expense - governmental activities	<u>\$238,567</u>

5. PENSION AND OTHER POST-EMPLOYMENT BENEFITS PLAN

Plan Description

The Michigan Public School Employees' Retirement System (System or MPERS) 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.

MUSKEGON HEIGHTS PUBLIC SCHOOL ACADEMY SYSTEM

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

The System's financial statements are available at www.michigan.gov/orsschools.

Defined Benefit Plan

Benefits Provided

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Depending on the plan option selected, member retirement benefits 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 member 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.

Contributions

Employers 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, 2019 valuation will be amortized over a 19-year period beginning October 1, 2019 and ending September 30, 2038.

The schedule below summarizes pension contribution rates in effect for the fiscal year ended September 30, 2020.

Benefit Structure	Member	Employer	
		Universities	Non-Universities
Basic	0.0-4.0%	26.03%	19.41%
Member Investment Plan	3.0-7.0	26.03	19.41
Pension Plus	3.0-6.4	N/A	16.46
Pension Plus 2	6.2	N/A	19.59
Defined Contribution	0.0	19.74	13.39

Required contributions to the pension plan from the Academy were \$106,155 for the year ended September 30, 2020.

MUSKEGON HEIGHTS PUBLIC SCHOOL ACADEMY SYSTEM

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

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

At June 30, 2021, the Academy reported a liability of \$1,326,917 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2019. The Academy's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2020, the Academy's proportion was .00386281 percent, which was a decrease of .00040 percent from its proportion measured as of September 30, 2019.

For the year ended June 30, 2021, the Academy recognized pension expense of \$305,398. At June 30, 2021, the Academy reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between actual and expected experience	\$ 20,274	\$ 2,832
Changes of assumptions	147,035	-
Net difference between projected and actual earnings on pension plan investments	5,575	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	213,281	91,079
Employer contributions subsequent to the measurement date	104,502	-
Total	<u>\$490,667</u>	<u>\$93,911</u>

Contributions subsequent to the measurement date reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2021	\$180,448
2022	102,343
2023	13,063
2024	(3,600)

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 of 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.

MUSKEGON HEIGHTS PUBLIC SCHOOL ACADEMY SYSTEM

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Valuation Date:	September 30, 2019
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	
MIP and Basic Plans:	6.80% net of investment expenses
Pension Plus Plan:	6.80% net of investment expenses
Pension Plus 2 Plan:	6.00% net of investment expenses
Projected Salary Increases:	2.75 - 11.55%, including wage inflation at 2.75%
Cost-of-Living Pension Adjustments:	3% Annual Non-Compounded for MIP Members
Mortality:	
Retirees:	RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Active Members:	P-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Notes:

- 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 valuations beginning with the September 30, 2017 valuation. The total pension liability as of September 30, 2020, is based on the results of an actuarial valuation date of September 30, 2019, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: [4.4892 for non-university employers or 1.0000 for university employers]
- Recognition period for assets in years is 5.0000.
- Full actuarial assumptions are available in the 2020 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2020, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return *</u>
Domestic Equity Pools	25.0%	5.6%
Private Equity Pools	16.0%	9.3%
International Equity Pools	15.0%	7.4%
Fixed Income Pools	10.5%	0.5%
Real Estate and Infrastructure Pools	10.0%	4.9%
Absolute Return Pools	9.0%	3.2%
Real Return/Opportunistic Pools	12.5%	6.6%
Short Term Investment Pools	<u>2.0%</u>	0.1%
	100%	

MUSKEGON HEIGHTS PUBLIC SCHOOL ACADEMY SYSTEM

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

* Long-term rates of return are net of administrative expenses and 2.3% inflation.

Rate of Return

For the fiscal year ended September 30, 2020, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 5.37%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

A discount rate of 6.8% was used to measure the total pension liability (6.8% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan, hybrid plans provided through non-university employers only). This discount rate was based on the long-term expected rate of return on pension plan investments of 6.8% (6.8% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan). The projection of cash flows used to determine this 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 plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Academy's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Academy's proportionate share of the net pension liability calculated using the discount rate of 6.8% (6.8% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan), as well as what the Academy'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 higher:

1% Decrease	Current Single Discount Rate Assumption *	1% Increase
5.8% / 5.8% / 5.0%	6.8% / 6.8% / 6.0%	7.8% / 7.8% / 7.0%
\$1,717,469	\$1,326,917	\$1,003,237

* Discount rates listed in the following order: Basic and Member Investment Plan (MIP), Pension Plus, and Pension Plus 2. Non-university employers provide Basic, MIP, Pension Plus and Pension Plus 2 plans. University employers provide only the Basic and MIP plans.

Michigan Public School Employees' Retirement System (MPSERS) Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS CAFR, available on the ORS website at www.michigan.gov/orsschools.

Payables to the Michigan Public School Employees' Retirement System (MPSERS)

At June 30, 2021, the Academy reported payables to the defined benefit pension plan totaling \$6,286. The balance represents legally required contributions to the pension plan.

MUSKEGON HEIGHTS PUBLIC SCHOOL ACADEMY SYSTEM

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

Other Post-Employment Benefits

Benefits Provided

Benefit provisions of the post-employment 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 post-employment benefits, members who first worked on or after July 1, 2008 (MIP-Plus plan members) have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning January 1, 2013; 90% 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% contribution to retiree healthcare and keeping the premium subsidy benefit described above, or choosing not to pay the 3% contribution and instead opting out of the subsidy benefit and becoming a participant in the Personal Healthcare Fund (PHF), a portable, tax-deferred fund that can be used to pay healthcare expenses in retirement. Participants in the PHF are automatically enrolled in a 2% employee contribution into their 457 account as of their transition date, earning them a 2% employer match into a 401(k) account. Members who selected this option stop paying the 3% contribution to retiree healthcare as of the day before their transition date, and their prior contributions were deposited into their 401(k) account.

Contributions

Employers 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 OPEB 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, 2019 valuation will be amortized over a 19-year period beginning October 1, 2019 and ending September 30, 2038.

The schedule below summarizes OPEB contribution rates in effect for fiscal year ended September 30, 2020.

MUSKEGON HEIGHTS PUBLIC SCHOOL ACADEMY SYSTEM

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

Benefit Structure	Member	Employer	
		Universities	Non-Universities
Premium Subsidy	3.00%	6.57%	8.09%
Personal Healthcare Fund (PHF)	0.00	5.99	7.57

Required contributions to the OPEB plan from the Academy were \$29,272 for the year ended September 30, 2020.

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

At June 30, 2021, the Academy reported a liability of \$221,957 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2019. The Academy's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2020, the Academy's proportion was .00414311 percent, which was an increase of .00070 percent from its proportion measured as of October 1, 2019.

For the year ended June 30, 2021, the Academy recognized OPEB expense of \$28,580. At June 30, 2021, the Academy reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between actual and expected experience	\$ -	\$165,379
Changes of assumptions	73,184	-
Net difference between projected and actual earnings on OPEB plan investments	1,852	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	193,828	114,498
Employer contributions subsequent to the measurement date	49,628	-
Total	<u>\$318,492</u>	<u>\$279,877</u>

Contributions subsequent to the measurement date reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2022. Other 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 September 30,</u>	<u>Amount</u>
2021	\$10,184
2022	12,765
2023	(5,408)
2024	(26,456)
2025	(2,098)

MUSKEGON HEIGHTS PUBLIC SCHOOL ACADEMY SYSTEM

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

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 of 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.

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Valuation Date:	September 30, 2019
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	6.95% net of investment expenses
Projected Salary Increases:	2.75 - 11.55%, including wage inflation at 2.75%
Healthcare Cost Trend Rate:	7.5% Year 1 graded to 3.5% Year 15; 3.0% Year 120
Mortality:	
Retirees:	RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Active Members:	P-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Other Assumptions:	
Opt-Out Assumption	21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt-out of the retiree health plan
Survivor Coverage	80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death
Coverage Election at Retirement	75% of male and 60% of female future retirees are assumed to elect coverage for one or more dependents

Notes:

- 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 OPEB valuations beginning with the September 30, 2017 valuation. The total OPEB liability as of September 30, 2020, is based on the results of an actuarial valuation date of September 30, 2019, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: [5.9870 for non-university employers or 1.0217 for university employers]
- Recognition period for assets in years is 5.0000.
- Full actuarial assumptions are available in the 2020 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on OPEB 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 OPEB 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. Best

MUSKEGON HEIGHTS PUBLIC SCHOOL ACADEMY SYSTEM

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2020, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return *</u>
Domestic Equity Pools	25.0%	5.6%
Private Equity Pools	16.0%	9.3%
International Equity Pools	15.0%	7.4%
Fixed Income Pools	10.5%	0.5%
Real Estate and Infrastructure Pools	10.0%	4.9%
Absolute Return Pools	9.0%	3.2%
Return Real/Opportunistic Pools	12.5%	6.6%
Short Term Investment Pools	<u>2.0%</u>	(0.1)%
	100%	

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

Rate of Return

For the fiscal year ended September 30, 2020, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense, was 5.24%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

A discount rate of 6.95% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 6.95%. The projection of cash flows used to determine this 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 OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Academy's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the Academy's proportionate share of the net OPEB liability calculated using the discount rate of 6.95%, as well as what the Academy'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 higher:

1% Decrease 5.95%	Current Discount Rate 6.95%	1% Increase 7.95%
\$285,130	\$221,957	\$168,772

MUSKEGON HEIGHTS PUBLIC SCHOOL ACADEMY SYSTEM

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

Sensitivity of the Academy's Proportionate Share of the Net OPEB Liability to Healthcare Cost Trend Rate

The following presents the Academy's proportionate share of the net OPEB liability calculated using the assumed trend rates, as well as what the Academy'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 higher:

1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
\$166,735	\$221,957	\$284,766

Michigan Public School Employees' Retirement System (MPSERS) Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2020 MPSERS CAFR, available on the ORS website at www.michigan.gov/orsschools.

Payables to the Michigan Public School Employees' Retirement System (MPSERS)

At June 30, 2021, the Academy reported payables to the OPEB plan totaling \$3,554. The balance represents legally required contributions to the OPEB plan.

Defined Contribution Plan

Public Act 75 of 2010 established the Pension Plus plan which provides all individuals hired on or after July 1, 2010, with a combined defined benefit and defined contribution benefit structure. Any member of MPSERS who became a member of MPSERS on or after July 1, 2010 is or may be a Pension Plus plan member.

Public Act 300 of 2012 was signed into law on September 4, 2012 amending the MPSERS system. An employee who first works September 4, 2012 or after joins the MPSERS system as a Pension Plus with Personal Healthcare Fund (PHF) member. Within 75 days of first being reported to the Office of Retirement Services, these employees can elect to become straight defined contribution plan participants. The PHF must be retained with whichever benefit plan they elect. The plan becomes retroactive to their first day.

Employees under the Pension plus plan automatically default with an employee contribution of 2 percent of the employee's pay. The Academy is required to match 50 percent of the employee contribution up to 1 percent. Employees may increase their personal contribution up to the annual IRS limit or can elect out of contributing.

Employees under the straight defined contribution plan automatically default with an employee contribution of 6 percent of the employee's pay. The Academy is required to match 50 percent of the employee contribution up to 3 percent.

Public Act 92 of 2017 establishes a new hybrid plan, and is the default option, for Michigan public school employees who first work on or after February 1, 2018. This plan is similar to the Pension Plus plan established in 2010 (and changed again in 2012) in that it has both a pension and a savings component. Eligibility for pension benefits remains the same as the Pension Plus plan at 60 years old with at least 10 years of service. Contributions are made in the savings component by both the Academy and employee and are deposited into a 401(k) and/or 457 tax deferred account. An employee must affirmatively elect the new hybrid plan to participate. If the employee makes no choice, as mentioned above, the default set by the law means the employee will be enrolled in the defined contribution plan. This new law mandates enhanced contributions for defined contribution participants who first work on or after September 4, 2012 which requires mandatory Academy contributions of 4 percent beginning

MUSKEGON HEIGHTS PUBLIC SCHOOL ACADEMY SYSTEM

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

with the first pay period after October 1, 2017. Beginning on February 2, 2018, the Academy is required to match 100 percent of the contributions made by the employee up to a maximum of 3 percent. Public Act 92 also requires the defined contribution plan to offer one or more fixed and variable annuity options for plan participants.

For the year ended June 30, 2021, Academy and employee contributions were \$953 and \$6,030, respectively.

6. DEBT

Short-term Debt

The following is a summary of short-term debt transactions of the Academy for the year ended June 30, 2021:

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021
\$800,000 State aid anticipation notes due in monthly installments ranging from \$71,652 to \$73,820 with interest paid monthly at 3.65% with final payment due August 2020	\$143,520	\$ -	\$143,520	\$ -
\$932,000 State aid anticipation notes due in monthly installments ranging from \$83,547 to \$85,937 with interest paid monthly at 3.45% with final payment due August 2021	-	932,000	764,669	167,331

The Academy directs payments on the notes payable to an irrevocable trust to provide resources to repay the State aid notes when they are due in fiscal year 2021. The resources held in trust are pooled with other school districts participating in the State aid note program and invested in securities guaranteed by the U.S. Government. As a result, the liability in the amount of \$764,669 has been removed from the fund and government-wide financial statements.

Long-term Debt

The following is a summary of the long-term debt transactions of the Academy for the year ended June 30, 2021:

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021	Due Within One Year
Governmental Activities					
Capital leases	\$27,384	\$ -	\$8,302	\$19,082	\$8,845

7. LEASES

The Academy entered into a lease agreement for various office equipment in July 2018. The lease term is 60 months with monthly installments of \$817 including interest of 6.36%. Copiers and equipment held under these capitalized leases are included in the statement of net position with a cost of \$41,896 and with accumulated depreciation of \$16,758. The total amount paid on the leases for the year was \$7,791.

MUSKEGON HEIGHTS PUBLIC SCHOOL ACADEMY SYSTEM

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

The following is a schedule of annual future minimum lease payments required under capitalized leases and under operating leases with initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2021:

<u>Year</u>	<u>Capitalized Leases</u>
2022	\$ 8,845
2023	9,424
2024	<u>813</u>
Total minimum payments due	<u>\$19,082</u>

8. RELATED PARTY TRANSACTIONS

The Academy paid the School District of the City of Muskegon Heights authorizer fees in the amount of \$148,044 for the year ended June 30, 2021. The Academy also leases all buildings and personal property from the Authorizer for an annual payment of \$4. The lease commenced July 9, 2012 and expires upon the extinguishment of all debt owed by the Authorizer.

9. CONTINGENCIES

Under the terms of various Federal and State grants and regulatory requirements, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants and requirements. Such audits could lead to reimbursement to the grantor or regulatory agencies. However, management believes such disallowances, if any, will not be material to the financial position of the Academy.

10. SUBSEQUENT EVENT

The Academy received proceeds from \$1,000,000 Michigan Finance Authority Public School Academy State Aid Revenue Notes in two installments in September and October 2021. The notes are payable in monthly installments totaling \$92,551, including interest at 3.3% per annum, and matures in August 2022. The Academy pledged for payment of the note payable, the amount of state school aid to be received.

REQUIRED SUPPLEMENTARY INFORMATION

MUSKEGON HEIGHTS PUBLIC SCHOOL ACADEMY SYSTEM

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

FOR THE YEAR ENDED JUNE 30, 2021

	Budget Amounts		Actual Amount	Variance Positive (Negative)
	Original	Final		
Revenues				
Local sources	\$ 105,712	\$ 110,339	\$ 154,901	\$ 44,562
State sources	5,592,701	6,199,514	5,989,410	(210,104)
Federal sources	1,324,563	2,884,424	1,776,543	(1,107,881)
Interdistrict sources	200,000	200,000	187,164	(12,836)
Total revenues	<u>7,222,976</u>	<u>9,394,277</u>	<u>8,108,018</u>	<u>(1,286,259)</u>
Expenditures				
Current				
Instruction				
Basic programs	1,660,424	1,986,483	1,904,512	81,971
Added needs	487,497	473,024	472,208	816
	<u>2,147,921</u>	<u>2,459,507</u>	<u>2,376,720</u>	<u>82,787</u>
Support services				
Pupil services	686,658	982,004	941,630	40,374
Instructional staff services	1,146,574	1,664,920	1,343,876	321,044
General administrative services	636,539	644,704	612,616	32,088
School administrative services	411,082	425,988	347,737	78,251
Business services	480,617	513,145	488,756	24,389
Operation and maintenance	1,224,983	1,341,528	1,133,958	207,570
Pupil transportation	350,000	278,400	193,749	84,651
Central services	68,620	113,183	114,129	(946)
Athletics	112,519	129,088	110,243	18,845
Other	100	16,000	1,787	14,213
	<u>5,117,692</u>	<u>6,108,959</u>	<u>5,288,481</u>	<u>820,478</u>
Community services	49,438	86,252	81,098	5,154
Intergovernmental payments	450,000	461,308	461,189	119
Debt Service				
Principal	11,304	9,804	8,302	1,502
Interest and fiscal charges	-	-	1,502	(1,502)
	<u>11,304</u>	<u>9,804</u>	<u>9,804</u>	<u>-</u>
Total expenditures	<u>7,776,355</u>	<u>9,125,830</u>	<u>8,217,292</u>	<u>908,538</u>
Net change in fund balance	(553,379)	268,447	(109,274)	(377,721)
Fund balance, beginning of year	<u>1,128,502</u>	<u>1,128,502</u>	<u>1,128,502</u>	<u>-</u>
Fund balance, end of year	<u>\$ 575,123</u>	<u>\$ 1,396,949</u>	<u>\$ 1,019,228</u>	<u>\$ (377,721)</u>

MUSKEGON HEIGHTS PUBLIC SCHOOL ACADEMY SYSTEM

**FOOD SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

FOR THE YEAR ENDED JUNE 30, 2021

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Local sources	\$ 12,285	\$ 7,000	\$ 11,150	\$ 4,150
State sources	6,570	25,789	28,766	2,977
Federal sources	<u>620,000</u>	<u>1,383,780</u>	<u>1,378,035</u>	<u>(5,745)</u>
Total revenues	638,855	1,416,569	1,417,951	1,382
Expenditures				
Current				
Food service	<u>905,500</u>	<u>1,184,551</u>	<u>1,036,665</u>	<u>147,886</u>
Revenues over (under) expenditures	(266,645)	232,018	381,286	149,268
Other financing sources (uses)				
Transfers out	<u>(10,000)</u>	<u>(15,000)</u>	<u>-</u>	<u>15,000</u>
Net change in fund balances	(276,645)	217,018	381,286	164,268
Fund balances, beginning of year	<u>440,241</u>	<u>440,241</u>	<u>440,241</u>	<u>-</u>
Fund balances, end of year	<u>\$ 163,596</u>	<u>\$ 657,259</u>	<u>\$ 821,527</u>	<u>\$ 164,268</u>

MUSKEGON HEIGHTS PUBLIC SCHOOL ACADEMY SYSTEM

**DEFINED BENEFIT PENSION PLAN
SCHEDULE OF ACADEMY'S PROPORTIONATE SHARE OF
NET PENSION LIABILITY**

FOR THE YEAR ENDED JUNE 30, 2021

	2020	2019	2018	2017	2016	2015	2014
Academy's proportion of the net pension liability (%)	0.00386%	0.00427%	0.00390%	0.00201%	0.00174%	0.00168%	0.00037%
Academy's proportionate share of the net pension liability	\$ 1,326,917	\$ 1,412,637	\$ 1,172,693	\$ 521,094	\$ 432,946	\$ 411,071	\$ 81,033
Academy's covered payroll	\$ 368,574	\$ 302,276	\$ 460,632	\$ 177,920	\$ 147,292	\$ 139,050	\$ 144,837
Academy's proportionate share of the net pension liability as a percentage of its covered payroll (%)	360.01%	467.33%	254.58%	292.88%	293.94%	295.63%	55.95%
Plan fiduciary net position as a percentage of total pension liability	59.72%	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%

Notes to schedule:

Amounts were determined as of September 30 of each fiscal year.
 Changes of benefit terms: There were no changes of benefit terms in 2020.
 Changes of assumptions: There were no changes of benefit assumptions in 2020.
 This schedule is being accumulated prospectively until ten years of data is presented.

MUSKEGON HEIGHTS PUBLIC SCHOOL ACADEMY SYSTEM

**DEFINED BENEFIT PENSION PLAN
SCHEDULE OF ACADEMY'S PENSION CONTRIBUTIONS**

FOR THE YEAR ENDED JUNE 30, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contributions	\$ 106,155	\$ 113,318	\$ 106,223	\$ 47,165	\$ 49,170	\$ 32,467	\$ 31,144
Contributions in relation to statutorily required contributions *	<u>106,155</u>	<u>113,318</u>	<u>106,223</u>	<u>47,165</u>	<u>49,170</u>	<u>32,467</u>	<u>31,144</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Academy's covered payroll	\$ 495,072	\$ 320,781	\$ 303,885	\$ 449,967	\$ 147,292	\$ 139,050	\$ 144,837
Contributions as a percentage of covered payroll	21.4%	35.3%	35.0%	10.5%	33.4%	23.3%	21.5%

* Contributions in relation to statutorily required contributions are the contributions an employer actually made to the System, as distinct from the statutorily required contributions.

Notes to schedule:

Amounts were determined as of June 30 of each fiscal year.

This schedule is being accumulated prospectively until ten years of data is presented.

MUSKEGON HEIGHTS PUBLIC SCHOOL ACADEMY SYSTEM

**OTHER POST-EMPLOYMENT BENEFITS PLAN
SCHEDULE OF ACADEMY'S PROPORTIONATE SHARE OF
NET OPEB LIABILITY**

FOR THE YEAR ENDED JUNE 30, 2021

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Academy's proportion of the net OPEB liability (%)	0.00414%	0.00344%	0.00540%	0.00199%
Academy's proportionate share of the net OPEB liability	\$ 221,957	\$ 247,174	\$ 428,985	\$ 175,940
Academy's covered payroll	\$ 368,574	\$ 302,276	\$ 460,632	\$ 177,920
Academy's proportionate share of the net OPEB liability as a percentage of its covered payroll (%)	60.22%	81.77%	93.13%	98.89%
Plan fiduciary net position as a percentage of total OPEB liability	59.44%	48.46%	42.95%	36.39%

Notes to schedule:

Amounts were determined as of September 30 of each fiscal year.
Changes of benefit terms: There were no changes of benefit terms in 2020.
Changes of assumptions: There were no changes of benefit assumptions in 2020.
This schedule is being accumulated prospectively until ten years of data is presented.

MUSKEGON HEIGHTS PUBLIC SCHOOL ACADEMY SYSTEM

**OTHER POST-EMPLOYMENT BENEFITS PLAN
SCHEDULE OF ACADEMY'S OPEB CONTRIBUTIONS**

FOR THE YEAR ENDED JUNE 30, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contributions	\$ 29,272	\$ 23,644	\$ 35,030	\$ 15,468
Contributions in relation to statutorily required contributions *	<u>29,272</u>	<u>23,644</u>	<u>35,030</u>	<u>15,468</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Academy's covered payroll	\$ 495,072	\$ 320,781	\$ 303,885	\$ 449,967
Contributions as a percentage of covered payroll	5.9%	7.4%	11.5%	3.4%

* Contributions in relation to statutorily required OPEB contributions are the contributions an employer actually made to the System, as distinct from the statutorily required contributions.

Notes to schedule:

Amounts were determined as of June 30 of each fiscal year.

This schedule is being accumulated prospectively until ten years of data is presented.

SINGLE AUDIT SECTION



Vredevelde Haefner LLC

CPAs and Consultants
10302 20th Avenue
Grand Rapids, MI 49534
Fax (616) 828-0307

Douglas J. Vredevelde, CPA
(616) 446-7474
Peter S. Haefner, CPA
(616) 460-9388

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

October 27, 2021

Members of the Board of Directors
Muskegon Heights Public School Academy System
Muskegon Heights, Michigan

We have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Muskegon Heights Public School Academy System, Muskegon Heights, Michigan (the Academy) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements, and have issued our report thereon dated October 27, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Academy's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2021-001, to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Academy's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Response to Findings

The Academy's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Academy's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Academy's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Uradaxeld Haefner LLC



Vredeveld Haefner LLC

CPAs and Consultants
10302 20th Avenue
Grand Rapids, MI 49534
Fax (616) 828-0307

Douglas J. Vredeveld, CPA
(616) 446-7474
Peter S. Haefner, CPA
(616) 460-9388

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

October 27, 2021

Members of the Board of Directors
Muskegon Heights Public School Academy System
Muskegon Heights, Michigan

Report on Compliance for Each Major Federal Program

We have audited Muskegon Heights Public School Academy System, Muskegon Heights, Michigan's (the Academy) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Academy's major federal programs for the year ended June 30, 2021. The Academy's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Academy's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Academy's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Academy's compliance.

Opinion on Each Major Federal Program

In our opinion, the Academy complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2021-002. Our opinion on each major federal program is not modified with respect to this matter.

The Academy's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Academy's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the Academy is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Academy's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Uredaxold Haefner LLC

MUSKEGON HEIGHTS PUBLIC SCHOOL ACADEMY SYSTEM

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2021

Federal Grantor Program Title Grant Number	Federal CFDA Number	Pass Through Agency	Approved Grant Award Amount	Accrued (Deferred) Revenue 7/1/2020	Current Year Receipts (Cash Basis)	Expenditures (Accrual Basis)		Accrued (Deferred) Revenue 6/30/2021
						(Memo Only) Prior Year	Year Ended 6/30/2021	
U.S. DEPARTMENT OF EDUCATION								
Title I, Part A								
201530-1920	84.010	MDE	\$ 514,457	\$ 12,149	\$ 132,008	\$ 270,067	\$ 119,859	\$ -
211530-2021	84.010	MDE	502,179	-	217,846	-	284,964	67,118
6010 - RAG Funds	84.010	MAISD	167,207	163,643	163,643	167,207	-	-
6010 - RAG Funds	84.010	MAISD	123,121	-	34,954	-	123,121	88,167
			<u>1,306,964</u>	<u>175,792</u>	<u>548,451</u>	<u>437,274</u>	<u>527,944</u>	<u>155,285</u>
Title II, Part A								
200520-1920	84.367	MDE	54,268	12,930	21,836	19,639	8,906	-
200532	84.367	MDE	576,000	51,895	448,470	51,895	396,575	-
210520-2021	84.367	MDE	69,161	-	2,325	-	9,210	6,885
			<u>699,429</u>	<u>64,825</u>	<u>472,631</u>	<u>71,534</u>	<u>414,691</u>	<u>6,885</u>
Title IV, Part A								
200750-1920	84.424	MDE	40,349	-	299	-	299	-
210750-2021	84.424	MDE	48,584	-	499	-	1,891	1,392
			<u>88,933</u>	<u>-</u>	<u>798</u>	<u>-</u>	<u>2,190</u>	<u>1,392</u>
Education Stabilization Fund								
201200-2021	84.425	MDE	61,065	-	61,065	-	61,065	-
203710-1920	84.425	MDE	373,622	-	-	-	210,434	210,434
203720-1920	84.425	MDE	56,043	-	-	-	56,043	56,043
			<u>490,730</u>	<u>-</u>	<u>61,065</u>	<u>-</u>	<u>327,542</u>	<u>266,477</u>
MICLSD - Subgrantees								
210210	84.371	MDE	608,000	-	-	-	54,120	54,120
Special Education Cluster								
IDEA Grants to States								
8010	84.027	MAISD	211,005	69,476	69,476	211,005	-	-
8012	84.027	MAISD	218,416	-	218,416	-	218,416	-
			<u>429,421</u>	<u>69,476</u>	<u>287,892</u>	<u>211,005</u>	<u>218,416</u>	<u>-</u>
IDEA Preschool								
8051	84.173	MAISD	16,389	5,822	5,822	16,389	-	-
8052	84.173	MAISD	10,291	-	10,291	-	10,291	-
			<u>26,680</u>	<u>5,822</u>	<u>16,113</u>	<u>16,389</u>	<u>10,291</u>	<u>-</u>
Total Special Education Cluster			<u>456,101</u>	<u>75,298</u>	<u>304,005</u>	<u>227,394</u>	<u>228,707</u>	<u>-</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>3,650,157</u>	<u>315,915</u>	<u>1,386,950</u>	<u>736,202</u>	<u>1,555,194</u>	<u>484,159</u>

(continued)

Federal Grantor Program Title Grant Number	Federal CFDA Number	Pass Through Agency	Approved Grant Award Amount	Accrued (Deferred) Revenue 7/1/2020	Current Year Receipts (Cash Basis)	Expenditures (Accrual Basis)		Accrued (Deferred) Revenue 6/30/2021
						(Memo Only) Prior Year	Year Ended 6/30/2021	
U.S. DEPARTMENT OF TREASURY								
COVID-19 - CRF Section 11p - Coronavirus Relief Funds	21.019	MDE	210,168	-	210,168	-	210,168	-
COVID-19 - CRF Section 103(2) - District COVID Costs Funds	21.019	MDE	7,398	-	7,398	-	7,398	-
COVID-19 - MiConnect Device Purchasing	21.019	CCISD	22,336	-	22,336	-	-	(22,336)
Total			239,902	-	239,902	-	217,566	(22,336)
U.S. DEPARTMENT OF AGRICULTURE								
Nutrition Cluster								
Non-Cash Assistance (USDA Commodities)								
Entitlement Commodities	10.555	MDE	\$ 44,176	\$ -	\$ 44,176	\$ -	\$ 44,176	\$ -
Cash Assistance								
Summer Food Program								
200900	10.559	MDE	250,892	-	250,892	-	250,892	-
200901	10.559	MDE	6,888	162,215	6,888	-	(155,327)	-
210904	10.559	MDE	758,589	-	758,589	-	895,166	136,577
Total			1,016,369	162,215	1,016,369	-	990,731	136,577
Total Nutrition Cluster			1,060,545	162,215	1,060,545	-	1,034,907	136,577
Child and Adult Care Food Program								
201920	10.558	MDE	236,798	55,530	186,147	106,181	130,617	-
202010	10.558	MDE	13,405	3,242	10,878	5,769	7,636	-
211920	10.558	MDE	111,208	-	111,208	-	180,027	68,819
211925	10.558	MDE	509	-	-	-	509	509
212010	10.558	MDE	5,997	-	5,997	-	9,701	3,704
Total			367,917	58,772	314,230	111,950	328,490	73,032
Fresh Fruits & Vegetables								
210950	10.582	MDE	14,638	-	14,638	-	14,638	-
TOTAL U.S. DEPARTMENT OF AGRICULTURE			1,443,100	220,987	1,389,413	111,950	1,378,035	209,609
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES								
Medical Assistance Program - Medicaid Outreach								
2021	93.778	MAISD	3,783	-	1,945	-	3,783	1,838
Total Federal Financial Assistance			\$ 5,336,942	\$ 536,902	\$ 3,018,210	\$ 848,152	\$ 3,154,578	\$ 673,270

(concluded)

See notes to schedule of expenditures of federal awards.

MUSKEGON HEIGHTS PUBLIC SCHOOL ACADEMY SYSTEM

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2021

1. The Schedule of Expenditures of Federal Awards is prepared in accordance with the modified accrual basis of accounting.
2. Management has utilized the Cash Management System Grant Auditor Report in preparing the Schedule of Expenditures of Federal Awards.
3. Table of pass-through agencies:
 - MDE - Michigan Department of Education
 - MAISD - Muskegon Area Intermediate School District
 - CCISD - Copper County Intermediate School District
4. The revenues from federal sources per the governmental funds financial statements agree with the expenditures per the Schedule of Expenditures of Federal Awards.
5. The District did not elect to use the 10% de minimis cost rate as covered in Uniform Guidance section 2 CFR 200.414 indirect costs.

MUSKEGON HEIGHTS PUBLIC SCHOOL ACADEMY SYSTEM

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2021

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued Unmodified
Internal control over financial reporting:
Material weakness(es) identified? X yes none
Significant deficiency(ies) identified? yes X none reported
Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:
Material weakness(es) identified? yes X no
Significant deficiency(ies) identified? yes X none reported
Type of auditors' report issued on compliance for major programs Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a) of the Uniform Guidance? yes X no

Identification of major programs:

Table with 2 columns: CFDA Number(s) and Name of Federal Program or Cluster. Row 1: 10.555, 10.559; Nutrition Cluster. Row 2: 10.558; Child and Adult Care Food Program.

Dollar threshold used to distinguish between Type A and B programs: \$750,000
Auditee qualified as low-risk auditee? yes X no

SECTION II - FINANCIAL STATEMENT FINDINGS

2021-001

Condition and Criteria: The Academy's system of internal controls does not provide for adequate supervisory review. This includes review and approval of journal entries by an individual separate from the journal entry preparation and recording process, the processed payroll register, bank reconciliations and check images of checks that have cleared the bank.

Cause: During the fiscal year the Academy brought services in-house that were previously performed by an external third-party service provider in addition to hiring a new Superintendent.

Effect: Errors and misstatements may not be prevented or detected and corrected on a timely basis.

Recommendation: The Academy should develop and implement procedures for supervisory review and approval of all manual journal entries, each pay period's processed payroll register, each monthly bank reconciliation and all check images of checks that have cleared the monthly bank statement. Such authorization should be documented in writing.

Management Response: The Academy has developed a corrective action plan that addresses this finding.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2021-002

Condition and Criteria: The U.S. Department of Agriculture regulation located at 7 CFR Part 210, Subpart C, Section 210.14(b) states that the food service fund is to limit its net cash resources to an amount that does not exceed 3 months average expenditures. The fund balance in the Academy's food service fund exceeded the allowable amount at June 30, 2021.

Cause: While the appropriate Academy employees were aware of the applicable compliance requirements, the Academy did not spend the necessary amount to reduce fund balance to the allowable limit.

Effect: Noncompliance with the requirements of the Code of Federal Regulations.

MUSKEGON HEIGHTS PUBLIC SCHOOL ACADEMY SYSTEM

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2021

Recommendation: The Academy should develop and implement a plan to reduce its net cash resources to the allowable limit.

Management Response: The Academy has developed a corrective action plan that addresses this finding.

SECTION IV - SUMMARY OF PRIOR AUDIT FINDINGS

2020-001

This finding has been resolved.

2020-002

This finding has been resolved.

2020-003

This finding has been repeated as 2021-002.



Muskegon Heights Public School Academy System

2441 Sanford Street, Muskegon Heights, MI 49444
Muskegon Heights Public School Academy System
Phone 231-830-3703 • mhtigers.org
Dawn Grant-Koster, Business Manager

September 23, 2021

Michigan Department of Education
Lansing, MI

Muskegon Heights Public School Academy system is in agreement with the findings identified and respectfully submits the following Corrective Action Plan for the year ended June 20, 2021.

Section II Financial Statement Findings 2021-001

The finding is due to the fact that the Academy brought accounting services in-house at the beginning of the fiscal year 2021. This created an atmosphere where checks and balances were unable to be in place. The academy is in the process of hiring additional accounting personnel to alleviate this condition in the accounting department.

The new accounting person will be creating and entering all journal entries, processing the district payroll, and reconciling the bank statements. The CFO will then be responsible for approving all of the entries prior to posting to ensure that entries are timely and accurate. The superintendent will be placed in the workflow for additional oversight.

Section III Federal Award Findings and Questioned Costs

2021-002 - Excess Food Service Fund Balance

During the FY 2021 school year, the Academy generated excess food service revenues that created an excess in the allowable three months of fund balance based on average expenditures. The Academy has already taken steps to spend down these funds in the 2022 school year and has set up procedures with this spend down plan to mitigate the excess funds going forward.

The Academy is working with Chartwells to increase staffing to better serve the needs of the children. The Academy has asked that a chef be placed in Muskegon Heights Academy, and MLK Elementary to prepare made-from-scratch meals. The Academy is also aware that the change in meal types will also increase food costs district-wide to spend down this fund balance.

Additional equipment is also planned to spend down the fund balance to meet the need of the new food service meal requirements set in place by the district. Some of the items that will be purchased are as follows: two commercial rotisseries, two interior gas grills, salad bars so every child can enjoy a salad with their meal.

Fresh food costs, instead of the frozen alternatives, and additional labor costs will increase spending significantly to reduce the fund balance and maintain a tighter control over the fund balance for FY 2022.

The food service director, Chartwells, the Superintendent will all be monitoring the costs and revenues on a monthly basis to insure that we are meeting the targets of expenditures and revenues.

Thank you

Dawn Koster

CFO