

School District of the City of Muskegon Heights

REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)

Year ended June 30, 2021

School District of the City of Muskegon Heights

TABLE OF CONTENTS

Independent Auditor’s Report..... 1

Management’s Discussion and Analysis..... 3

Basic Financial Statements

 District-wide Financial Statements

 Statement of Net Position..... 12

 Statement of Activities 13

 Fund Financial Statements

 Governmental Funds

 Balance Sheet..... 14

 Reconciliation of the Governmental Funds Balance

 Sheet to the Statement of Net Position..... 15

 Statement of Revenues, Expenditures and Changes

 in Fund Balances..... 16

 Reconciliation of the Governmental Funds Statement

 of Revenues, Expenditures and Changes in Fund

 Balances to the Statement of Activities 17

 Notes to Financial Statements 18

Required Supplementary Information

 Budgetary Comparison Schedule—General Fund..... 39

 Schedule of the School District’s Proportionate Share of the Net Pension Liability 40

 Schedule of the School District’s Pension Contributions..... 41

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

 Schedule of the School District’s OPEB Contributions 43

 Notes to Required Supplementary Information..... 44

INDEPENDENT AUDITOR'S REPORT

Board of Education
School District of the City of Muskegon Heights
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 the School District of the City of Muskegon Heights (the School District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Board of Education
School District of the City of Muskegon Heights
Page 2

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 the School District of the City of Muskegon Heights 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, budgetary comparison information, and pension and OPEB information on pages 3 through 11 and 39 through 44 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2021, on our consideration of the School District of the City of Muskegon Heights’ internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District of the City of Muskegon Heights’ internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District of the City of Muskegon Heights’ internal control over financial reporting and compliance.



Muskegon, Michigan
October 29, 2021

Muskegon Heights Public Schools

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021

This section of Muskegon Heights Public Schools' annual report represents an overall review of the school district's financial activities for the fiscal year ended June 30, 2021. Please review in conjunction with the financial statements and notes to the financial statements to enhance an understanding of the district's financial performance.

The Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements adopted this reporting model – and Management Discussion and Analysis (MD&A) – for State and Local Governments issued in June of 2000. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

Overview of the Financial Statements

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

District-wide Financial Statements

The district-wide financial statements are full accrual basis statements that provide information about the district's *overall* financial status. They are used to help determine whether or not the district is better off, or worse off, as the result of the year's activities. The *Statement of Net Position* reports all of the district's assets, deferred outflows of resources and liabilities, both short-term and long-term, whether they are "currently available" or not. Capital assets and long-term obligations of the district are reported in this statement. All of the current year's revenues and expenses are accounted for in the *Statement of Activities*, regardless of when cash is received or paid.

The two district-wide statements report the district's *net position* and how they have changed. Net assets – the difference between the district's assets, deferred inflows and outflows, and liabilities – are used to measure the district's financial position.

- Over time, increases or decreases in net position are an indicator of whether the district's financial position is improving or deteriorating.
- To assess the district's overall health, you need to consider additional non-financial factors such as changes in the district's property tax base, the quality of the education provided, and the condition of the district's buildings.

Muskegon Heights Public Schools

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021

In district-wide statements, the district's activities are classified as **governmental activities**. This includes most of the district's basic services, such as regular and special education, food service, athletics, transportation, and administration. Property taxes, state aid, and state and federal grants finance most of these services.

Fund Financial Statements

The fund financial statements focus on individual parts of the district, while reporting the district's operations in more detail than the district-wide statements. The fund level statements are reported on a **modified accrual basis**. Only those assets that are "**measurable**" and "**currently available**" are reported. Liabilities are recognized to the extent that they are paid with current financial resources.

Fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual." In the State of Michigan, the district's major instructional and instructional support activities are reported in the **General Fund**. Additional activities are reported in their relevant funds including: **Food Service**, **Debt Service**, **Capital Projects**, and **Fiduciary Funds**.

In fund financial statements, capital asset purchases are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

Financial Analysis of the District as a Whole

Figure A-1 shows a condensed breakdown of the net position. A decrease in total liabilities has resulted in a positive change to the district's net position when compared to 2019/20.

Muskegon Heights Public Schools

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021

Figure A-1
Condensed Statement of Net Position

	Governmental Activities	
	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Current Assets	\$ 1,855,677	\$ 1,527,461
Capital Assets, net	14,836,028	15,442,782
Other Non Current Assets	2,674,531	2,443,399
Deferred Outflows	311,483	352,168
Total Assets and Deferred Outflows	<u>19,677,719</u>	<u>19,765,810</u>
Current Liabilities	2,964,988	2,919,577
Non Current Liabilities	33,534,053	34,309,794
Deferred Inflows	44,670	65,057
Total Liabilities	<u>36,543,711</u>	<u>37,294,428</u>
Net Position		
Net Investment in Capital Assets	723,856	206,375
Restricted for:		
Debt Service	3,120,137	2,663,148
Food Service	41,857	41,857
Unrestricted	(20,751,842)	(20,439,998)
Total Net Position	<u>\$ (16,865,992)</u>	<u>\$ (17,528,618)</u>

The district's net position reflects investment in capital assets (e.g., land, buildings and improvements, and furniture and equipment), less any related debt used to acquire those assets that is still outstanding. The district uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the district's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay the debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Muskegon Heights Public Schools

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021

Figure A-2 details the changes in the district's net position. Revenues classified under "charges for services" include amounts received for its charter authorization fee and other receipts from those who have benefited from the related programs. The district continues to levy 18 mills on non-homestead properties within the City of Muskegon Heights. This levy is used to pay current and long-term obligations of the district.

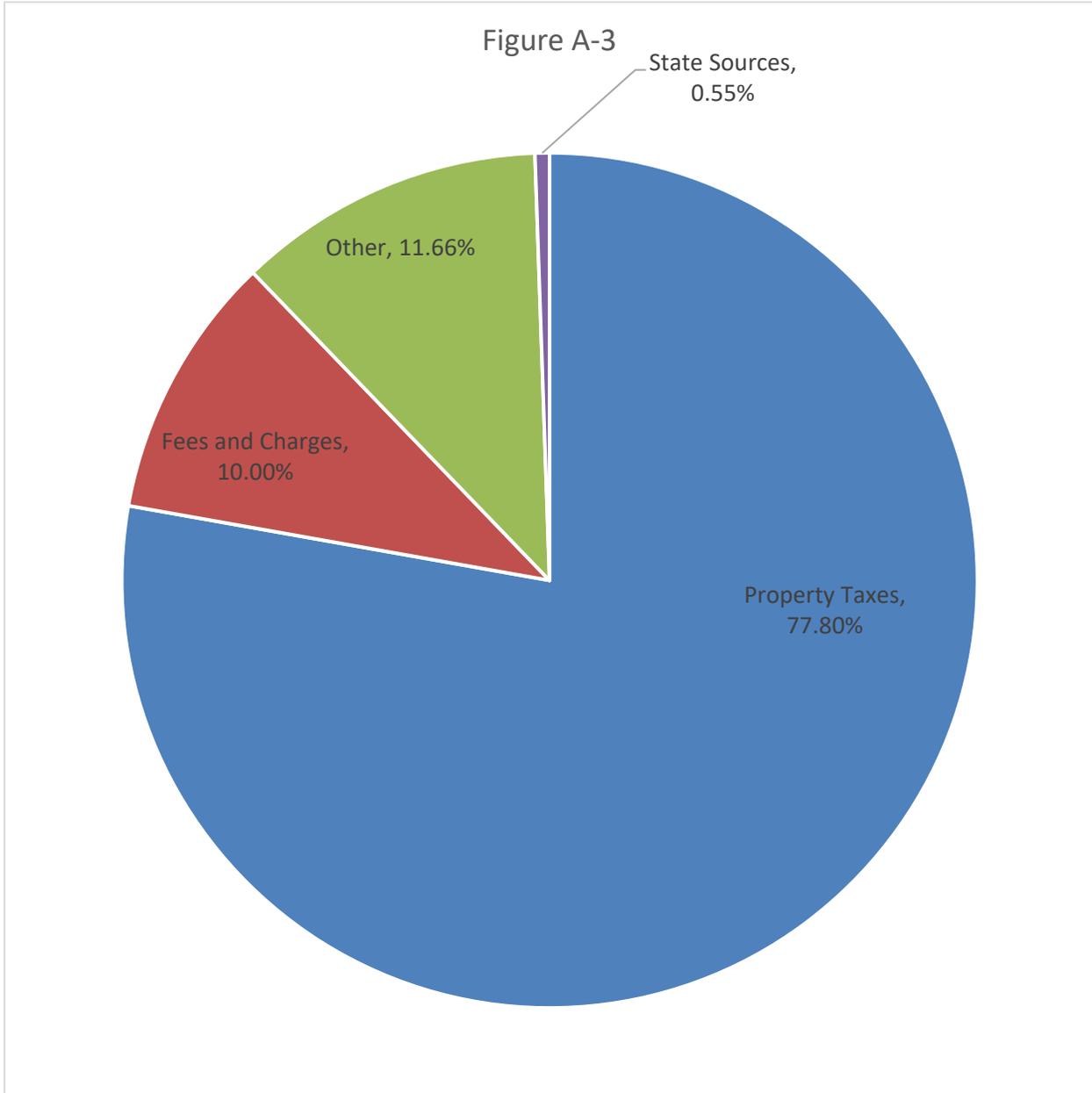
Figure A-2
Statement of Net Position from Operating Results

For the Period Ending: June 30,	Governmental Activities	
	<u>2021</u>	<u>2020</u>
Revenues		
Program Revenues		
Charges for services	\$ 155,694	\$ 154,615
General Revenues		
Property taxes	2,349,770	2,621,889
Investment earnings	49,098	20,911
Unrestricted grants and contributions	141,129	130,818
Other	115,702	57,084
Total revenues	2,811,393	2,985,317
Expenses		
Support services	449,622	408,372
Interest on long-term debt	974,872	1,019,263
Depreciation and amortization	724,273	724,165
Total expenses	2,148,767	2,151,800
Increase (decrease) in net position	662,626	833,517
Beginning net position	<u>(17,528,618)</u>	<u>(18,362,135)</u>
Ending net position	<u>\$ (16,865,992)</u>	<u>\$ (17,528,618)</u>

Muskegon Heights Public Schools

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021

For 2020/21, 78% of General Fund operating revenue came from property taxes. The remaining amount of revenue was generated through fees, charges, and state/other sources. This means that the financial stability of the district rests primarily with the economic health of the City of Muskegon Heights. Figure A-3 depicts the general fund breakdown of the sources of revenue for the district.

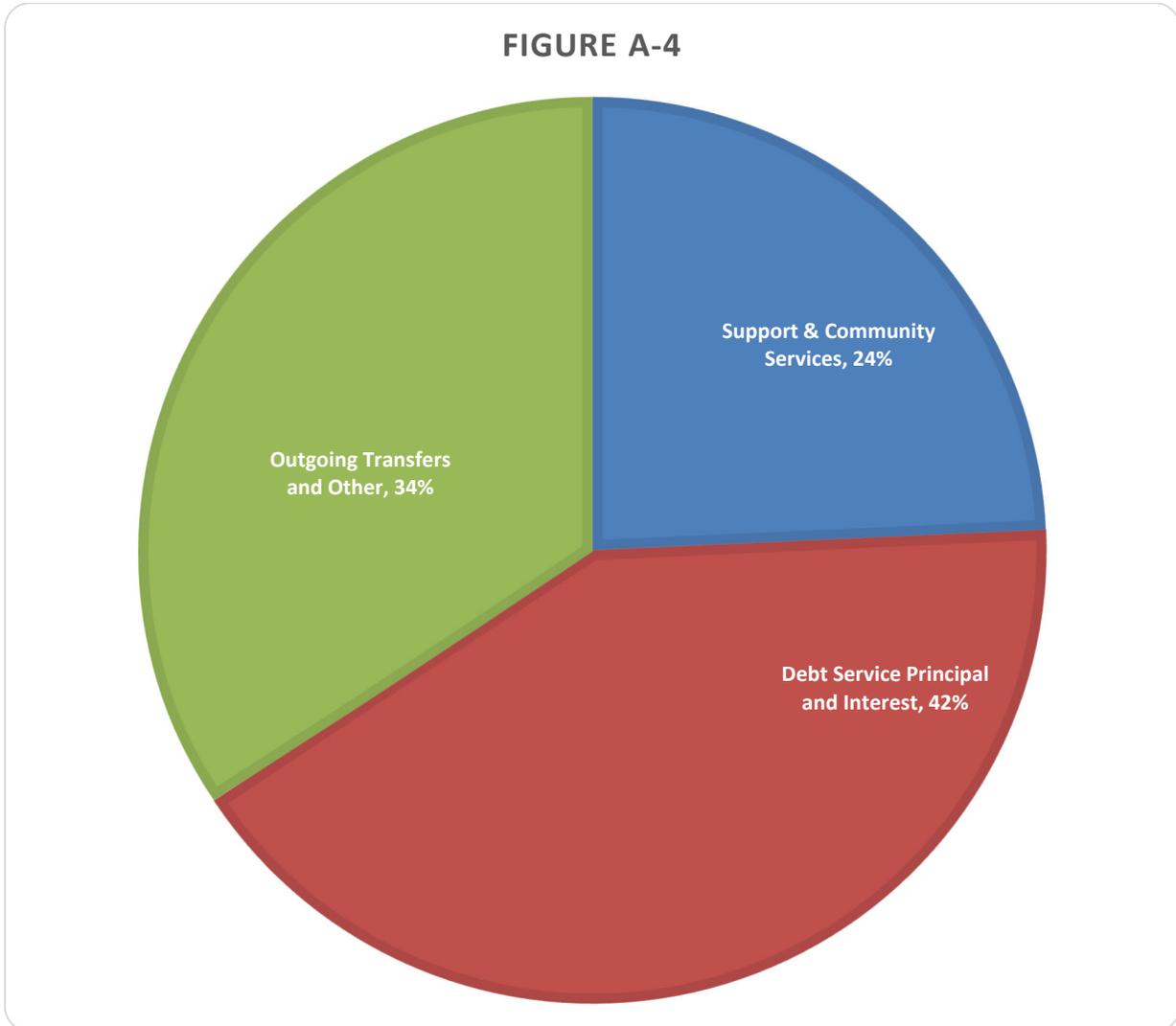


Muskegon Heights Public Schools

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2021

Figure A-4 depicts 24% of the district's general fund resources were spent on district support services, 42% was spent on debt service principal and interest, and 34% was spent on outgoing transfers.



Muskegon Heights Public Schools

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021

Financial Analysis of the District's Funds

The General Fund balance increased by \$138,948 during the 2020/21 fiscal year, resulting in a positive fund balance of \$792,692 at year-end. The reasons for this increase are detailed below.

General Fund Budgetary Highlights

In accordance with Section 11 of Public Act 436 (MCL 141.1541), the School District is operated under a written financial and operating plan prepared by the district. Although this is not a budget adopted in accordance with the Uniform Budgeting and Accounting Act of 1968 (Budget Act), the information presented in the required supplementary information is based on the written financial and operating plan prepared by the district and is presented in the format prescribed by the Budget Act.

Original Budget v. Amended Budget

Revenues

- Increased *Local Sources* to account for insurance proceeds to repair the high school roof.
- Increased *State Sources* projections to recognize additional personal property tax revenues.

Expenditures

- Decreased *Instructional staff* projections due to lower than projected technology fees.
- Increased *General Administration* appropriations to account for higher than projected legal fees.
- Decreased *Business* projections due to lower than anticipated board of review costs from the County of Muskegon
- Increased *Operations and Maintenance* projections due to additional building insurance costs.
- Increased *Capital Outlay* due to roof repairs at the high school.

Amended Budget v. Actual Results

Expenditures

- *Instructional Staff* costs were higher due to greater than anticipated technology fees.
- *General Administration* were lower than anticipated as legal fees were not as high as anticipated.
- *Business* costs were lower than projected because of decreased supply expenditures.
- *Operations and Maintenance* were lower than projected due to decreased contractor spending.

Muskegon Heights Public Schools

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021

Capital Assets and Debt Administration

Capital Assets – At June 30, 2021, the district had nearly \$14.8 million in net capital assets, including land, buildings, furniture and equipment as shown below. The primary reason for the decrease in capital asset value is attributable to depreciation.

	<u>2021</u>	<u>2020</u>
Land	\$ 1,235,220	\$ 1,235,220
Land Improvements	12,129	15,989
Buildings and Improvements	13,588,679	14,191,573
Total	<u>\$ 14,836,028</u>	<u>\$ 15,442,782</u>

More detailed information about capital assets can be found in Note D of these financial statements.

Debt Administration – At June 30, 2021, the district had \$34.5 million in general obligation bonds and other long-term debt outstanding as shown below.

	<u>2021</u>	<u>2020</u>
2016 Refunding Bonds Series A & B	\$ 11,080,000	\$ 13,150,000
2007 Energy Conservation Improvement Bonds	3,149,000	3,149,000
Emergency Loans	13,344,000	13,583,000
School Bond Loan Fund	2,608	2,532
School Loan Revolving Fund	6,941,313	5,165,785
Total	<u>\$ 34,516,921</u>	<u>\$ 35,050,317</u>

More detailed information about long-term debt can be found in Note F of these financial statements.

Muskegon Heights Public Schools

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021

Currently Known Facts, Decisions, and Conditions **Affecting the 2021/22 Fiscal Year**

- The district is no longer under the oversight of the Receivership Transition Advisory Board (RTAB). The local school board has assumed control going forward. Muskegon Heights Public School Academy will continue to educate the students of Muskegon Heights.

Requests for Information

This financial report is designed to provide the district's citizens, taxpayers, parents, students, investors and creditors with a general overview of the district's finances, and to show how the district is accountable for the money it receives. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to Muskegon Heights Public Schools, 2603 Leahy Street, Muskegon Heights, MI 49444, telephone number (231) 830-3221.

School District of the City of Muskegon Heights
STATEMENT OF NET POSITION
June 30, 2021

	Governmental activities
ASSETS	
Current assets	
Cash and cash equivalents	\$ 1,814,775
Receivables	6,633
Due from other governmental units	32,440
Prepaid items	1,829
Total current assets	1,855,677
Noncurrent assets	
Restricted cash and cash equivalents	2,674,531
Capital assets, net	
Nondepreciable	1,235,220
Depreciable	13,600,808
Total noncurrent assets	17,510,559
Total assets	19,366,236
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charges on refunding	252,582
Related to other postemployment benefits	25,789
Related to pensions	33,112
Total deferred outflows of resources	311,483
Total assets and deferred outflows of resources	19,677,719
LIABILITIES	
Current liabilities	
Accounts payable and accrued liabilities	123,079
Due to other governmental units	450,909
Bonds and other obligations, due within one year	2,391,000
Total current liabilities	2,964,988
Noncurrent liabilities	
Bonds and other obligations, less amounts due within one year	33,351,675
Net other postemployment benefits liability	36,805
Net pension liability	145,573
Total noncurrent liabilities	33,534,053
Total liabilities	36,499,041
DEFERRED INFLOWS OF RESOURCES	
Related to other postemployment benefits	29,075
Related to pensions	15,595
Total deferred inflows of resources	44,670
Total liabilities and deferred inflows of resources	36,543,711
NET POSITION	
Net investment in capital assets	723,856
Restricted for debt service	3,120,137
Restricted for food services	41,857
Unrestricted	(20,751,842)
Total net position	\$ (16,865,992)

The accompanying notes are an integral part of this statement.

School District of the City of Muskegon Heights
STATEMENT OF ACTIVITIES
For the year ended June 30, 2021

<i>Functions/Programs</i>	<u>Expenses</u>	<u>Program Revenue Charges for services</u>	<u>Net (Expense) Revenue and Changes in Net Position</u> <u>Governmental activities</u>
Governmental activities			
Support services	\$ 449,622	\$ 155,694	\$ (293,928)
Interest on long-term debt	974,872	-	(974,872)
Unallocated depreciation	724,273	-	(724,273)
Total governmental activities	<u>\$ 2,148,767</u>	<u>\$ 155,694</u>	(1,993,073)
General revenues			
Property taxes			2,349,770
Grants and contributions not restricted to specific programs			141,129
Investment earnings			49,098
Gain (loss) on disposal of capital assets			115,702
Total general revenues			<u>2,655,699</u>
Change in net position			662,626
Net position at beginning of year			<u>(17,528,618)</u>
Net position at end of year			<u><u>\$ (16,865,992)</u></u>

The accompanying notes are an integral part of this statement.

School District of the City of Muskegon Heights
BALANCE SHEET
 Governmental Funds
 June 30, 2021

	<u>General Fund</u>	<u>2016 Debt Service Fund</u>	<u>2007 Energy Conservation Bond Retirement Fund</u>	<u>Other governmental funds</u>	<u>Total governmental funds</u>
ASSETS					
Cash and cash equivalents	\$ 1,533,323	\$ 281,452	\$ -	\$ -	\$ 1,814,775
Receivables	6,633	-	-	-	6,633
Due from other governmental units	32,440	-	-	-	32,440
Due from other funds	-	266,451	-	84,026	350,477
Prepaid items	1,829	-	-	-	1,829
Restricted cash and cash equivalents	-	-	2,674,531	-	2,674,531
Total assets	\$ 1,574,225	\$ 547,903	\$ 2,674,531	\$ 84,026	\$ 4,880,685
LIABILITIES					
Accounts payable	\$ 20,782	\$ -	\$ -	\$ -	\$ 20,782
Due to other governmental units	408,740	-	-	42,169	450,909
Due to other funds	350,477	-	-	-	350,477
Total liabilities	779,999	-	-	42,169	822,168
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues	1,534	-	-	-	1,534
FUND BALANCES					
Nonspendable					
Prepaid items	1,829	-	-	-	1,829
Restricted					
Debt service	-	547,903	2,674,531	-	3,222,434
Food service	-	-	-	41,857	41,857
Unassigned	790,863	-	-	-	790,863
Total fund balances	792,692	547,903	2,674,531	41,857	4,056,983
Total liabilities, deferred inflows and fund balances	\$ 1,574,225	\$ 547,903	\$ 2,674,531	\$ 84,026	\$ 4,880,685

The accompanying notes are an integral part of this statement.

School District of the City of Muskegon Heights
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET POSITION**
 June 30, 2021

Total fund balances—governmental funds	\$	4,056,983
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and are not reported in the governmental funds.		
Cost of capital assets	\$36,955,637	
Accumulated depreciation	<u>(22,119,609)</u>	14,836,028
Deferred charges on refunding are not capitalized and amortized in the governmental funds.		
Deferred charges on refunding	421,866	
Accumulated amortization	<u>(169,284)</u>	252,582
Deferred inflows and outflows of resources related to pensions and other postemployment benefits are not reported in the governmental funds.		
Deferred outflows of resources - related to other postemployment benefits	25,789	
Deferred inflows of resources - related to other postemployment benefits	(29,075)	
Deferred outflows of resources - related to pensions	33,112	
Deferred inflows of resources - related to pensions	<u>(15,595)</u>	14,231
Accrued interest in governmental activities is not reported in the governmental funds.		
		(102,297)
Other assets that are not available to pay for current period expenditures are reported as unavailable revenue in the governmental funds.		
		1,534
Long-term obligations in governmental activities are not due and payable in the current period and are not reported in the governmental funds.		
		<u>(35,925,053)</u>
Net position of governmental activities	\$	<u><u>(16,865,992)</u></u>

The accompanying notes are an integral part of this statement.

School District of the City of Muskegon Heights
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 Governmental Funds
 For the year ended June 30, 2021

	<u>General Fund</u>	<u>2016 Debt Service Fund</u>	<u>2007 Energy Conservation Bond Retirement Fund</u>	<u>Other governmental funds</u>	<u>Total governmental funds</u>
REVENUES					
Local sources					
Property taxes	\$ 1,211,381	\$ 1,138,389	\$ -	\$ -	\$ 2,349,770
Investment earnings	-	58	49,040	-	49,098
Fees and charges	155,694	-	-	-	155,694
Other	181,561	-	-	-	181,561
Total local sources	1,548,636	1,138,447	49,040	-	2,736,123
State sources	8,489	132,640	-	-	141,129
Total revenues	1,557,125	1,271,087	49,040	-	2,877,252
EXPENDITURES					
Current					
Support services	344,362	-	-	-	344,362
Outgoing transfers and other	121,072	-	-	-	121,072
Capital outlay	183,378	-	-	-	183,378
Debt service					
Principal	239,000	2,070,000	-	-	2,309,000
Interest and other charges	348,273	603,843	-	-	952,116
Total expenditures	1,236,085	2,673,843	-	-	3,909,928
Excess (deficiency) of revenues over (under) expenditures	321,040	(1,402,756)	49,040	-	(1,032,676)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	182,092	-	182,092
Transfers out	(182,092)	-	-	-	(182,092)
Loan proceeds	-	1,611,379	-	-	1,611,379
Total other financing sources (uses)	(182,092)	1,611,379	182,092	-	1,611,379
Net change in fund balances	138,948	208,623	231,132	-	578,703
Fund balances at beginning of year	653,744	339,280	2,443,399	41,857	3,478,280
Fund balances at end of year	\$ 792,692	\$ 547,903	\$ 2,674,531	\$ 41,857	\$ 4,056,983

The accompanying notes are an integral part of this statement.

School District of the City of Muskegon Heights
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**
For the year ended June 30, 2021

Net change in fund balances—total governmental funds \$ 578,703

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures; in the Statement of Activities these costs are depreciated over their estimated useful lives.

Depreciation expense	(724,273)	
Capital outlay	<u>183,378</u>	(540,895)

Governmental funds report the entire proceeds from the sale of capital assets but the Statement of Activities reports only the gain or loss on the sale of capital assets.

(65,859)

Governmental funds report outlays for deferred charges on refunding as expenditures; in the Statement of Activities these costs are amortized over the bond period.

(32,245)

Debt proceeds are other financing sources in the governmental funds, but debt proceeds and accumulated interest increase long-term debt in the Statement of Net Position.

(1,775,604)

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

2,465,480

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

17,234

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

2,908

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

12,904

Change in net position of governmental activities

\$ 662,626

School District of the City of Muskegon Heights
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

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

In April 2012, pursuant to Public Act 4 of 2011, *Local Government and School District Fiscal Responsibility Act*, the State of Michigan determined that a financial emergency existed within the School District and appointed an emergency financial manager. Public Act 4 was suspended due to a public referendum in August 2012. In response, the State of Michigan appointed an emergency manager pursuant to Public Act 72 of 1990, *Local Government Fiscal Responsibility Act*. Effective March 28, 2013, Public Act 436 of 2012, *Local Financial Stability and Choice Act* replaced Public Act 72 of 1990 and the State of Michigan reappointed an emergency manager under this act.

In July 2012, the emergency manager issued an order approving and authorizing the issuance of a charter contract to the Muskegon Heights Public School Academy System (System). All future State School Aid Payments will be made to the School District as fiscal agent and then forwarded to the System. The School District will continue to assess and collect property taxes in order to service its debt obligations. The System agrees to pay the School District an administrative fee of 3 percent of the State School Aid Payments.

On October 25, 2016 the Emergency Manager declared the financial emergency had been rectified and asked the Governor to appoint a Receivership Transition Advisory Board (RTAB) to assist the School District through the remaining receivership period while the School Board begins operating the School District.

Basis of Presentation—Government-wide and Fund Financial Statements

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

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

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

School District of the City of Muskegon Heights
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

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

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

The School District reports the following major governmental funds:

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

The *2016 Debt Service Fund* accounts for the resources accumulated and payments made for principal and interest of the 2016 Refunding bonds.

The *2007 Energy Conservation Bond Retirement Fund* accounts for the resources accumulated and payments made for principal and interest of the 2007 Energy Conservation bonds.

Additionally, the School District reports the following fund types:

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

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

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

Measurement Focus and Basis of Accounting

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

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

School District of the City of Muskegon Heights
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Measurement Focus and Basis of Accounting—Continued

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

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

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

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

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

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

School District of the City of Muskegon Heights
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

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

Cash and Investments

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

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

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

Inventories and Prepaid Items

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

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

Capital Assets

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

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

Land and construction in progress are not depreciated. The other property, plant, and equipment, of the School District are depreciated using the straight-line method over the following estimated useful lives:

<u>Capital Asset Classes</u>	<u>Years</u>
Land improvements	10-15
Buildings and improvements	15-40
Equipment	5-10

School District of the City of Muskegon Heights
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

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

Long-term Obligations

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

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

Defined Benefit Plan

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

Deferred Outflows/Inflows of Resources

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

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

Net Position Flow Assumption

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

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

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

School District of the City of Muskegon Heights
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

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

Fund Balance Flow Assumptions

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

Fund Balance Policies

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

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

Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as committed. The Board of Education may assign fund balance, such as, when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Revenues and Expenditures/Expenses

Program Revenues

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, unrestricted state aid, interest and other internally dedicated resources are reported as general revenues rather than as program revenues.

Property Taxes

Property taxes levied by the School District are collected by various municipalities and periodically remitted to the School District. The taxes are levied as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due dates are September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

School District of the City of Muskegon Heights
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the General Fund and special revenue funds. All annual appropriations lapse at year end.

The School District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by Board of Education resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, in the General Fund are noted in the required supplementary information section.
4. The Assistant Superintendent of Finance and Administration is authorized to transfer budgeted amounts within major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the Board of Education.
5. Formal budgetary integration is employed as a management control device during the year.
6. The budget is amended during the year with supplemental appropriations, the last one approved prior to June 30, 2021.

NOTE C—DEPOSITS AND INVESTMENTS

As of June 30, 2021, the School District had no investments.

Interest rate risk

The School District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk

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

Concentration of credit risk

The School District does not have a concentration of credit risk policy. Concentration of credit risk is the risk of loss attributed to the magnitude of the School District investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

School District of the City of Muskegon Heights
NOTES TO FINANCIAL STATEMENTS
 June 30, 2021

NOTE C—DEPOSITS AND INVESTMENTS—Continued

Custodial credit risk - deposits

In the case of deposits, this is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. As of June 30, 2021, \$3,746,664 of the School District's bank balance of \$4,496,664 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk - investments

The School District does not have a custodial credit risk policy for investments. This is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Foreign currency risk

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

NOTE D—CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021 was as follows:

	Balance July 1, 2020	Additions	Deductions	Balance June 30, 2021
Capital assets, not being depreciated:				
Land	\$ 1,235,220	\$ -	\$ -	\$ 1,235,220
Capital assets, being depreciated:				
Land improvements	440,159	-	-	440,159
Buildings and improvements	32,813,430	183,378	125,445	32,871,363
Equipment	2,408,895	-	-	2,408,895
Total capital assets, being depreciated	35,662,484	183,378	125,445	35,720,417
Less accumulated depreciation:				
Land improvements	424,170	3,860	-	428,030
Buildings and improvements	18,621,857	720,413	59,586	19,282,684
Equipment	2,408,895	-	-	2,408,895
Total accumulated depreciation	21,454,922	724,273	59,586	22,119,609
Total capital assets, being depreciated, net	14,207,562	(540,895)	65,859	13,600,808
Capital assets, net	\$ 15,442,782	\$ (540,895)	\$ 65,859	\$ 14,836,028

Depreciation

Depreciation expense has not been allocated to functions as its assets impact multiple activities and allocation is not practical.

School District of the City of Muskegon Heights
NOTES TO FINANCIAL STATEMENTS
 June 30, 2021

NOTE E—INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2021 is as follows:

Due to/from other funds:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
2016 Debt Service Fund	General Fund	\$ 266,451
Other governmental funds	General Fund	84,026
		<u>\$ 350,477</u>

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

Interfund Transfers

The General Fund transferred \$182,092 to the 2007 Energy Conservation Bond Retirement Fund for debt service.

NOTE F—LONG-TERM OBLIGATIONS

The School District issues bonds, notes and other contractual commitments to provide for the acquisition, construction and improvement of major capital facilities and for the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District.

The following is a summary of long-term obligations activity for the School District for the year ended June 30, 2021:

	<u>Balance</u> <u>July 1, 2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2021</u>	<u>Due within</u> <u>one year</u>
Governmental activities					
Bonds	\$ 16,299,000	\$ -	\$ 2,070,000	\$ 14,229,000	\$ 2,140,000
Premium	1,382,234	-	156,480	1,225,754	-
Notes from direct borrowings and direct placements	18,751,317	1,775,604	239,000	20,287,921	251,000
	<u>\$ 36,432,551</u>	<u>\$ 1,775,604</u>	<u>\$ 2,465,480</u>	<u>\$ 35,742,675</u>	<u>\$ 2,391,000</u>

The governmental activities notes from direct borrowings and direct placements are comprised of Emergency Loans from the State of Michigan and School Bond Loan Fund and School Loan Revolving Fund obligations. In the previous schedule, the additions for notes from direct borrowings and direct placements represents \$1,611,379 of proceeds from the GO School Loan Revolving Fund, \$76 of accumulated interest on the School Bond Loan Fund, and \$164,149 of accumulated interest on the GO School Loan Revolving Fund.

School District of the City of Muskegon Heights
NOTES TO FINANCIAL STATEMENTS
 June 30, 2021

NOTE F—LONG-TERM OBLIGATIONS—Continued

The Emergency Loans are covered by a tax intercept agreement where the city sends all property tax collections to a special fund held by a depository to cover the upcoming loan payments. State aid is also pledged for intercept if property tax collections fall short of the funds needed to pay the Emergency Loans. The School Bond Loan Funds and the Go School Loan Revolving Fund are secured by future state aid and property tax revenues of the School District. In the event of default, the State of Michigan can withhold future state aid payments.

Long-term obligations consist of the following:

	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Balance</u>
Governmental activities:			
Bonds			
2016 Refunding Bonds, Series A	5.00%	May 2029	\$ 9,990,000
2016 Refunding Bonds, Series B	2.42-2.61%	May 2022	1,090,000
2007 Energy Conservation Improvement Bonds	0%	December 2022	3,149,000
			<u>\$ 14,229,000</u>
Notes from direct borrowings and direct placements			
Emergency Loan Payable #1	2.45%	November 2041	\$ 6,500,000
Emergency Loan Payable #2	2.35%	November 2041	3,150,000
Emergency Loan Payable #3	3.45%	June 2044	1,245,000
Emergency Loan Payable #4	2.70%	June 2047	2,449,000
School Bond Loan Fund	3.13%	May 2035	2,608
GO School Loan Revolving Fund	3.13%	May 2035	6,941,313
			<u>\$ 20,287,921</u>

The annual requirements of principal and interest to amortize the bonded debt and the notes from direct borrowings and direct placements outstanding as of June 30, 2021 follow:

Year ending June 30,	<u>Governmental Activities</u>			
	<u>Bonds</u>		<u>Notes from Direct Borrowings and Direct Placements</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 2,140,000	527,949	\$ 251,000	342,351
2023	4,254,000	447,000	257,000	335,604
2024	1,155,000	391,750	453,000	329,160
2025	1,215,000	334,000	465,000	316,687
2026	1,270,000	273,250	476,000	305,223
2027-2031	4,195,000	426,000	2,469,000	1,340,448
2032-2036	-	-	9,673,921	1,019,832
2037-2041	-	-	3,086,000	668,781
2042-2046	-	-	2,645,000	279,834
2047	-	-	512,000	13,824
	<u>\$ 14,229,000</u>	<u>\$ 2,399,949</u>	<u>\$ 20,287,921</u>	<u>\$ 4,951,744</u>

School District of the City of Muskegon Heights
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE G—PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description

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

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

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

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

Benefits Provided – Pension

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

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

Pension Reform 2010

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

School District of the City of Muskegon Heights
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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

Benefits Provided – Pension—Continued

Pension Reform 2012

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

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

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

Pension Reform 2017

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

Regular Retirement

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

School District of the City of Muskegon Heights
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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

Benefits Provided – Pension—Continued

Post-Retirement Adjustments

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

Plan Status

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

Benefits Provided – OPEB

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

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

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

School District of the City of Muskegon Heights
NOTES TO FINANCIAL STATEMENTS
 June 30, 2021

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

Contributions – Pension and OPEB

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2019 valuation will be amortized over a 19-year period beginning October 1, 2019, and ending September 30, 2038.

The schedules below summarize the contribution rates in effect for the System’s fiscal year ended September 30, 2020.

Pension Contribution Rates

<u>Benefit Structure</u>	<u>Member</u>	<u>Employer</u>
Basic	0.0 - 4.0 %	19.41 %
Member Investment Plan	3.0 - 7.0	19.41
Pension Plus Plan	3.0 - 6.4	16.46
Pension Plus 2 Plan	6.2	19.59
Defined Contribution	0.0	13.39

OPEB Contribution Rates

<u>Benefit Structure</u>	<u>Member</u>	<u>Employer</u>
Premium Subsidy	3.0 %	8.09 %
Personal Healthcare Fund	0.0	7.57

The School District’s pension contributions for the year ended June 30, 2021 were equal to the required contribution total. Pension contributions were approximately \$12,000.

The School District’s OPEB contributions for the year ended June 30, 2021 were equal to the required contribution total. OPEB contributions were approximately \$5,000.

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

At June 30, 2021, the School District reported a liability of \$145,573 for its proportionate share of the net pension liability and a liability of \$36,805 for its proportionate share of the net OPEB liability.

School District of the City of Muskegon Heights
NOTES TO FINANCIAL STATEMENTS
 June 30, 2021

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

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

The net pension and OPEB liabilities were measured as of September 30, 2020, and the total pension and OPEB liabilities used to calculate the net pension and OPEB liabilities were determined by an actuarial valuation rolled forward from September 30, 2019. The School District’s proportion of the net pension and OPEB liabilities was determined by dividing each employer’s statutorily required pension and OPEB contributions to the system during the measurement period by the percent of pension and OPEB contributions, respectively, required for all applicable employers during the measurement period. At September 30, 2020 and 2019, the School District’s pension proportion was 0.00042 and 0.00041 percent, respectively. At September 30, 2020 and 2019, the School District’s OPEB proportion was 0.00069 percent.

For the year ended June 30, 2021, the School District recognized a pension expense (benefit) of \$(1,088), and OPEB expense (benefit) of \$2,103.

At June 30, 2021, the School District reported deferred outflows of resources and deferred inflows of resources from the following sources:

	<u>Pension</u>		<u>OPEB</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 2,224	\$ 311	\$ -	\$ 27,424
Changes of assumptions	16,131	-	12,136	-
Net difference between projected and actual earnings on plan investments	612	-	307	-
Changes in proportion and differences between School District contributions and proportionate share of contributions	5,016	15,284	9,455	1,651
School District contributions subsequent to the measurement date	9,129	-	3,891	-
Total	\$ 33,112	\$ 15,595	\$ 25,789	\$ 29,075

The School District contributions subsequent to the measurement date reported as deferred outflows of resources related to pensions and OPEB, in the chart above, will be recognized as a reduction of the net pension liability and the net OPEB liability, respectively, in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be recognized in expense as follows:

<u>Year ending June 30,</u>	<u>Pension</u>	<u>OPEB</u>
2022	\$ (1,318)	\$ (947)
2023	4,010	(452)
2024	4,369	(1,155)
2025	1,327	(2,628)
2026	-	(1,995)

School District of the City of Muskegon Heights
NOTES TO FINANCIAL STATEMENTS
 June 30, 2021

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

Actuarial assumptions

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

Summary of Actuarial Assumptions

Valuation date –	September 30, 2019
Actuarial cost method –	Entry age, Normal
Investment rate of return –	6.8% a year for the MIP and Basic plans 6.8% a year for the Pension Plus plan 6% a year for the Pension Plus 2 plan 6.95% a year for OPEB
Salary increases –	2.75%-11.55%
Inflation –	2.75%
Cost-of-living pension adjustments –	3% annual non-compounded for MIP members
Healthcare cost trend rate –	7% Year 1 graded to 3.5% Year 15; 3% Year 120

Mortality Assumptions

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

Experience Study

The annual actuarial valuation report of the System used for these statements is dated September 30, 2019. Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension and OPEB valuations beginning with the September 30, 2017 valuation.

Long-Term Expected Rate of Return on Investments

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

School District of the City of Muskegon Heights
NOTES TO FINANCIAL STATEMENTS
 June 30, 2021

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

Actuarial assumptions—Continued

Long-Term Expected Rate of Return on Investments—Continued

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

Investment Category	Target Allocation	Long-term Expected Real Rate of Return*
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	2.0	0.1
Total	100.0 %	

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

Rate of return

For the fiscal year ended September 30, 2020, the annual money-weighted rate of return on plan investments, net of plan investment expense, was 5.37 percent and 5.24 percent on pension plan and OPEB plan investments, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount rate

In the current year, the discount rates used to measure the total pension and OPEB liabilities were 6.8 percent (6.8 percent for the Pension Plus plan and 6 percent for the Pension Plus 2 plan), and 6.95 percent, respectively. The discount rates used to measure the total pension and OPEB liability as of June 30, 2020 were 6.8 percent (6.8 percent for the Pension Plus Plan and 6 percent for the Pension Plus 2 plan), and 6.95 percent, respectively. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension and OPEB plans’ fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension and OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension and OPEB liabilities.

School District of the City of Muskegon Heights
NOTES TO FINANCIAL STATEMENTS
 June 30, 2021

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

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

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

1% Lower (5.8% / 5.8% / 5%)	Discount Rate (6.8% / 6.8% / 6%)	1% Higher (7.8% / 7.8% / 7%)
\$ 188,420	\$ 145,573	\$ 110,063

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

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

1% Lower (5.95%)	Discount Rate (6.95%)	1% Higher (7.95%)
\$ 47,281	\$ 36,805	\$ 27,986

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

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

1% Lower	Current Healthcare Cost Trend Rate	1% Higher
\$ 27,648	\$ 36,805	\$ 47,220

Pension and OPEB Plans Fiduciary Net Position

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

Payable to the pension and OPEB plan

At year end the School District is current on all required pension and OPEB payments.

School District of the City of Muskegon Heights
NOTES TO FINANCIAL STATEMENTS
 June 30, 2021

NOTE H—CONTINGENCIES

Grant Programs

The School District participates in grant programs, which are subject to program compliance audits by the grantor or its representatives. Such audits of these programs may be performed at some future date. The amount, if any, of additional expenditures which may be disallowed by the granting agencies cannot be determined at this time although the School District expects such amounts, if any, to be immaterial.

NOTE I—RISKS AND UNCERTAINTIES

The COVID-19 pandemic that the world is experiencing is unprecedented. It is nearly impossible to fully understand the impact that will have on the economy and the School District’s operations. As of June 30, 2021, the School District is continuing to implement risk mitigation tactics including all aspects of the School District’s activities related to public school education, relationships with local, state, and federal government funding sources, compliance with the requirements of these funding sources and with business transactions with customers, vendors and human interaction within and outside of the School District.

NOTE J—OTHER INFORMATION

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

The School District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance. No settlements have occurred in excess of coverage for June 30, 2021 or any of the prior three years.

NOTE K—TAX ABATEMENTS

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

Municipality	Abatement type	Taxes abated
City of Muskegon Heights	IFT	\$ 23,963

School District of the City of Muskegon Heights
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE K—TAX ABATEMENTS—Continued

The tax abatements that reduce the general fund operating tax levy are considered by the State of Michigan when calculating the School District's state aid—section 22 of the State School Aid Act.

There are no significant abatements made by the School District.

NOTE L—UPCOMING ACCOUNTING PRONOUNCEMENTS

GASB Statement 87—*Leases* was issued by the GASB in June 2017 and will be effective for the School District's 2022 fiscal year. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

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

NOTE M—SUBSEQUENT EVENT

In October 2021, the four Emergency Loans in Note F were restructured to reduce the interest rate on the notes. Emergency Loan #1 & #2 interest rates were reduced to 1.3%, Emergency Loan #3 interest rate was reduced to 1.25%, and Emergency Loan #4 interest rate was reduced to 1.7%.

REQUIRED SUPPLEMENTARY INFORMATION

School District of the City of Muskegon Heights
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
 General Fund
 For the year ended June 30, 2021

	<u>Budgeted amounts</u>		<u>Actual</u>	<u>Variance with final budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Local sources	\$ 1,344,530	\$ 1,548,180	\$ 1,548,636	\$ 456
State sources	6,740	8,480	8,489	9
Total revenues	1,351,270	1,556,660	1,557,125	465
EXPENDITURES				
Support services				
Instructional staff	8,650	5,050	6,787	(1,737)
General administration	90,650	120,890	113,491	7,399
Business	162,420	118,630	116,196	2,434
Operations and maintenance	83,570	123,540	106,953	16,587
Central	880	800	935	(135)
Capital outlay	-	183,380	183,378	2
Debt service				
Principal	239,000	239,000	239,000	-
Interest and other charges	348,280	348,280	348,273	7
Outgoing transfers and other transactions	302,420	302,410	303,164	(754)
Total expenditures	1,235,870	1,441,980	1,418,177	23,803
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 115,400</u>	<u>\$ 114,680</u>	138,948	<u>\$ 24,268</u>
Fund balance at beginning of year			653,744	
Fund balance at end of year			<u>\$ 792,692</u>	

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
School District's proportion of the net pension liability (%)	0.00042%	0.00041%	0.00039%	0.00052%	0.00068%	0.00094%	0.00096%	-	-	-
School District's proportionate share of the net pension liability	\$ 145,573	\$ 136,503	\$ 118,504	\$ 135,189	\$ 169,562	\$ 228,423	\$ 210,840	\$ -	\$ -	\$ -
School District's covered payroll	\$ 60,000	\$ 60,000	\$ 60,000	\$ 64,668	\$ 80,536	\$ 75,606	\$ 81,058	\$ -	\$ -	\$ -
School District's proportionate share of the net pension liability as a percentage of its covered payroll	242.62%	227.51%	197.51%	209.05%	210.54%	302.12%	260.11%	-	-	-
Plan fiduciary net position as a percentage of the total pension liability	59.72%	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%	-	-	-

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

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Statutorily required contributions	\$ 11,817	\$ 11,436	\$ 10,734	\$ 10,892	\$ 14,235	\$ 16,150	\$ 18,057	\$ -	\$ -	\$ -
Contributions in relation to the statutorily required contributions	11,817	11,436	10,734	10,892	14,235	16,150	18,057	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>									
School District's covered payroll	\$ 60,000	\$ 60,000	\$ 60,000	\$ 60,000	\$ 71,082	\$ 77,250	\$ 81,058	\$ -	\$ -	\$ -
Contributions as a percentage of covered payroll	19.70%	19.06%	17.89%	18.15%	20.03%	20.91%	22.28%	-	-	-

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

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
School District's proportion of the net OPEB liability (%)	0.00069%	0.00069%	0.00071%	0.00049%	-	-	-	-	-	-
School District's proportionate share of the net OPEB liability	\$ 36,805	\$ 49,740	\$ 56,357	\$ 43,225	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School District's covered payroll	\$ 60,000	\$ 60,000	\$ 60,000	\$ 64,668	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School District's proportionate share of the net OPEB liability as a percentage of its covered payroll	61.34%	82.90%	93.93%	66.84%	-	-	-	-	-	-
Plan fiduciary net position as a percentage of the total OPEB liability	59.44%	48.46%	42.95%	36.39%	-	-	-	-	-	-

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

School District of the City of Muskegon Heights
REQUIRED SUPPLEMENTARY INFORMATION
Schedule of School District's OPEB Contributions
 Michigan Public School Employees Retirement System
 Last 10 Fiscal Years (Amounts were determined as of 6/30 of each year)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Statutorily required contributions	\$ 5,011	\$ 4,882	\$ 4,888	\$ 4,358	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the statutorily required contributions	5,011	4,882	4,888	4,358	-	-	-	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>									
School District's covered payroll	\$ 60,000	\$ 60,000	\$ 60,000	\$ 60,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered payroll	8.35%	8.14%	8.15%	7.26%	-	-	-	-	-	-

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

School District of the City of Muskegon Heights
REQUIRED SUPPLEMENTARY INFORMATION
Notes to Required Supplementary Information
For the year ended June 30, 2021

Pension Information

Benefit changes – there were no changes of benefit terms in 2020.

Changes of assumptions – there were no changes of assumptions in 2020.

OPEB Information

Benefit changes – there were no changes of benefit terms in 2020.

Changes of assumptions – there were no changes of assumptions in 2020.