

---

# West Village Academy

---

**Financial Report  
with Supplemental Information  
June 30, 2019**

<b>Independent Auditor's Report</b>	1-2
<b>Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i></b>	3-4
<b>Management's Discussion and Analysis</b>	5-8
<b>Basic Financial Statements</b>	
Government-wide Financial Statements:	
Statement of Net Position	9
Statement of Activities	10
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	11
Reconciliation of the Balance Sheet to the Statement of Net Position	12
Statement of Revenue, Expenditures, and Changes in Fund Balances	13
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances to the Statement of Activities	14
Fiduciary Funds - Statement of Fiduciary Assets and Liabilities	15
Notes to Financial Statements	16-28
<b>Required Supplemental Information</b>	29
Budgetary Comparison Schedule - General Fund	30
Schedule of Proportionate Share of the Net Pension Liability	31
Schedule of Pension Contributions	32
Schedule of Proportionate Share of the Net OPEB Liability	33
Schedule of OPEB Contributions	34
Notes to Required Supplemental Information	35

## **Independent Auditor's Report**

To the Board of Directors  
West Village Academy

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the major fund, and the remaining fund information of West Village Academy (the "Academy") as of and for the year ended June 30, 2019 and the related notes to the financial statements, which collectively comprise West Village Academy's basic financial statements, as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditor's Responsibility***

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

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

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

#### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the remaining fund information of West Village Academy as of June 30, 2019 and the respective changes in its financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

To the Board of Directors  
West Village Academy

**Required Supplemental Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplemental information, as identified in the table of contents, 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, which 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 supplemental 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 August 26, 2019 on our consideration of West Village Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 West Village Academy's internal control over financial reporting and compliance.



August 26, 2019

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

**Independent Auditor's Report**

To Management and the Board of Directors  
West Village Academy

We have audited, 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, the financial statements of the governmental activities, the major fund, the remaining fund information of West Village Academy (the "Academy") as of and for the year ended June 30, 2019 and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated August 26, 2019.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

To Management and the Board of Directors  
West Village Academy

**Purpose of this Report**

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

*Plante & Moran, PLLC*

August 26, 2019

This section of West Village Academy's (the "Academy") annual financial report presents our discussion and analysis of the Academy's financial performance during the year ended June 30, 2019. Please read it in conjunction with the Academy's financial statements, which immediately follow this section.

### **Using this Annual Report**

This annual report consists of a series of financial statements and notes to those financial statements. These statements are organized so the reader can understand West Village Academy financially as a whole. The government-wide financial statements provide information about the activities of the whole Academy, presenting both an aggregate view of the Academy's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short term, as well as what remains for future spending. The fund financial statements look at the Academy's operations in more detail than the government-wide financial statements by providing information about the Academy's most significant fund - the General Fund - with the other fund presented in one column as the nonmajor fund - the Food Services Fund. The remaining statement, the statement of fiduciary assets and liabilities, presents financial information about activities for which the Academy acts solely as an agent for the benefit of students and parents. This report is composed of the following elements:

#### **Management's Discussion and Analysis (MD&A) (Required Supplemental Information)**

##### **Basic Financial Statements**

Government-wide Financial Statements

Fund Financial Statements

Notes to Financial Statements

##### **Required Supplemental Information**

Budgetary Information for General Fund

Schedule of the Academy's Proportionate Share of the Net Pension and OPEB Liabilities

Schedule of Pension and OPEB Contributions

Notes to Required Supplemental Information

### ***Reporting the Academy as a Whole - Government-wide Financial Statements***

One of the most important questions asked about the Academy is, "As a whole, what is the Academy's financial condition as a result of the year's activities?" The statement of net position and the statement of activities, which appear first in the Academy's financial statements, report information on the Academy as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources, using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenue and expenses are taken into account, regardless of when cash is received or paid.

These two statements report the Academy's net position - the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources, as reported in the statement of net position - as one way to measure the Academy's financial health or financial position. Over time, increases or decreases in the Academy's net position - as reported in the statement of activities - are indicators of whether its financial health is improving or deteriorating. The relationship between revenue and expenses is the Academy's operating results. However, the Academy's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the Academy.

The statement of net position and the statement of activities report the governmental activities for the Academy, which encompass all of the Academy's services, including instruction, support services, community services, athletics, and food services. Unrestricted state aid (foundation allowance revenue), and state and federal grants finance most of these activities.

**Reporting the Academy's Most Significant Funds - Fund Financial Statements**

The Academy's fund financial statements provide detailed information about the most significant funds - not the Academy as a whole. Some funds are required to be established by state law and by bond covenants. However, the Academy establishes many other funds to help it control and manage money for particular purposes (the Food Services Fund is an example) or to show that it is meeting legal responsibilities for using grants and other money.

**Governmental Funds**

Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the Academy and the services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Academy's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds in a reconciliation.

**Reporting the Academy's Fiduciary Responsibilities**

The Academy has certain fiduciary responsibility for its student activity funds. All of the Academy's fiduciary activities are reported in a separate statement of fiduciary assets and liabilities. We exclude these activities from the Academy's other financial statements because the Academy cannot use these assets to finance its operations. The Academy is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

**The Academy as a Whole**

Recall that the statement of net position provides the perspective of the Academy as a whole. The following table provides a summary of the Academy's net position as of June 30, 2019 and 2018:

	Governmental Activities	
	2019	2018
	(in thousands)	
<b>Assets</b>		
Current and other assets	\$ 1,120.5	\$ 1,396.9
Capital assets	27.7	36.7
Total assets	1,148.2	1,433.6
<b>Deferred Outflows of Resources</b>	133.7	62.5
<b>Liabilities</b>		
Current liabilities	467.5	464.3
Noncurrent liabilities	428.1	375.1
Total liabilities	895.6	839.4
<b>Deferred Inflows of Resources</b>	184.8	138.7
<b>Net Position</b>		
Net investment in capital assets	27.7	36.7
Restricted	7.2	5.0
Unrestricted	166.6	476.3
Total net position	<b>\$ 201.5</b>	<b>\$ 518.0</b>

The above analysis focuses on net position. The change in net position of the Academy's governmental activities is discussed below. The Academy's net position was \$201.5 thousand at June 30, 2019. Net investment in capital assets totaling \$27.7 thousand compares the original cost, less depreciation of the Academy's capital assets, to long-term debt used to finance the acquisition of those assets. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the Academy's ability to use that net position for day-to-day operations. The remaining amount of net position (\$166.6 thousand) was unrestricted.

The \$166.6 thousand in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. The unrestricted net position balance enables the Academy to meet working capital and cash flow requirements, as well as to provide for future uncertainties. The operating results of the General Fund will have a significant impact on the change in unrestricted net position from year to year. The unrestricted net position balance is impacted significantly by the \$396.9 thousand of net pension and OPEB liabilities and related activity arising from the underfunded MPSERS obligation.

The results of this year's operations for the Academy as a whole are reported in the condensed statement of activities below, which shows the changes in net position for the years ended June 30, 2019 and 2018:

	<u>Governmental Activities</u>	
	<u>2019</u>	<u>2018</u>
	(in thousands)	
<b>Revenue</b>		
Program revenue:		
Charges for services	\$ -	\$ 2.1
Operating grants	983.1	1,674.5
General revenue:		
State aid not restricted to specific purposes	2,847.1	3,243.2
Other	4.6	6.5
Total revenue	<u>3,834.8</u>	<u>4,926.3</u>
<b>Expenses</b>		
Instruction	1,689.8	2,272.4
Support services	2,187.5	2,227.9
Athletics	14.2	8.0
Food services	246.1	283.7
Community services	4.7	12.1
Depreciation expense (unallocated)	9.0	10.3
Total expenses	<u>4,151.3</u>	<u>4,814.4</u>
<b>Change in Net Position</b>	(316.5)	111.9
<b>Net Position - Beginning of year, as previously reported</b>	518.0	502.4
<b>Cumulative Effect of Change in Accounting</b>	-	(96.3)
<b>Net Position - Beginning of year</b>	<u>518.0</u>	<u>406.1</u>
<b>Net Position - End of year</b>	<u><u>\$ 201.5</u></u>	<u><u>\$ 518.0</u></u>

As reported in the statement of activities, the cost of all of our governmental activities this year was \$4,151.3 thousand. Certain activities were partially funded by other governments and organizations that subsidized certain programs with grants and contributions (\$983.1 thousand). We paid for the remaining "public benefit" portion of our governmental activities with \$2,847.1 thousand in state foundation allowance.

The Academy experienced a decrease in net position of \$316.5 thousand. Key reasons for the change in net position were loss of funding from a significant federal program and declining pupil counts.

As discussed above, the net cost shows the financial burden that was placed on the State by each of these functions. Since unrestricted state aid constitutes the vast majority of the Academy's operating revenue sources, the board of directors and administration must annually evaluate the needs of the Academy and balance those needs with state-prescribed available unrestricted resources.

#### **The Academy's Funds**

As we noted earlier, the Academy uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the Academy is being accountable for the resources taxpayers and others provide to it and may provide more insight into the Academy's overall financial health.

As the Academy completed this year, the governmental funds reported a combined fund balance of \$653.0 thousand, which is a decrease of \$279.6 thousand from last year. The primary reasons for the decrease are as follows:

In the General Fund, our principal operating fund, the fund balance decreased by \$281.8 thousand to \$645.9 thousand. The change is mainly due to a decline in enrollment and decrease in federal funding from the 21st Century grant program.

The Fund balance of our special revenue fund increased from \$5.0 thousand to \$7.2 thousand.

#### **Capital Assets and Debt Administration**

##### ***Capital Assets***

As of June 30, 2019, the Academy had \$27.7 thousand invested in leasehold improvements and furniture and equipment. This amount represents a net decrease (including additions, disposals, and depreciation) of approximately \$9.0 thousand from last year.

There were no additions in the 2018-2019 fiscal year. No major capital projects are planned for the 2019-2020 fiscal year. We present more detailed information about our capital assets in the notes to the financial statements.

##### ***Debt***

At the end of this year, the Academy had no long-term debt outstanding.

#### **Economic Factors and Next Year's Budgets and Rates**

Our administration considers many factors when setting the Academy's 2019- 2020 fiscal year budget. One of the most important factors affecting the budget is our student count. The state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The 2019-2020 budget was adopted in June 2019 based on an estimate of students who will enroll in September 2019. Approximately 79.3 percent of total General Fund revenue is from the foundation allowance. Under state law, the Academy cannot access additional property tax revenue for general operations. As a result, the Academy's funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2020 school year, we anticipate that the fall student count will be close to the estimates used in creating the 2020 budget. Once the final student count and related per pupil funding are validated, state law requires the Academy to amend the budget if actual academy resources are not sufficient to fund original appropriations.

Since the Academy's revenue is heavily dependent on state funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenue to fund its appropriation to the Academy. The State periodically holds a revenue-estimating conference to estimate revenue. Based on the results of the most recent conference, it is uncertain whether state funds are sufficient to fund the appropriation.

**June 30, 2019**

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash (Note 4)	\$ 184,227
Receivables - Due from other governments	890,264
Prepaid costs	46,000
Capital assets - Net (Note 6)	<u>27,684</u>
Total assets	1,148,175
<b>Deferred Outflows of Resources (Note 12)</b>	
Deferred pension costs	113,149
Deferred OPEB costs	<u>20,507</u>
Total deferred outflows of resources	133,656
<b>Liabilities</b>	
Accounts payable	80,386
Unearned revenue (Note 5)	73,947
Accrued liabilities and other:	
Payroll taxes and withholdings	183,962
Other accrued liabilities	23,232
State aid anticipation note (Note 11)	105,935
Noncurrent liabilities - Due in more than one year - Net pension and OPEB liabilities (Note 12)	<u>428,112</u>
Total liabilities	895,574
<b>Deferred Inflows of Resources</b>	
Deferred rent	82,349
Other deferred inflows (Note 12)	12,573
Deferred pension cost reductions (Note 12)	69,404
Deferred OPEB cost reductions (Note 12)	<u>20,451</u>
Total deferred inflows of resources	<u>184,777</u>
<b>Net Position</b>	
Net investment in capital assets	27,684
Restricted - Food service	7,164
Unrestricted	<u>166,632</u>
Total net position	<u><u>\$ 201,480</u></u>

Year Ended June 30, 2019

Functions/Programs	Program Revenue			Governmental
	Expenses	Charges for Services	Operating Grants and Contributions	Activities Net (Expense) Revenue and Changes in Net Position
Primary government - Governmental activities:				
Instruction	\$ 1,689,751	\$ -	\$ 505,247	\$ (1,184,504)
Support services	2,187,508	-	224,863	(1,962,645)
Athletics	14,167	-	-	(14,167)
Food services	246,116	-	248,321	2,205
Community services	4,704	-	4,704	-
Depreciation expense (unallocated) (Note 6)	9,019	-	-	(9,019)
Total primary government	<b>\$ 4,151,265</b>	<b>\$ -</b>	<b>\$ 983,135</b>	(3,168,130)
General revenue:				
State aid not restricted to specific purposes				2,847,059
Other sources				4,530
Total general revenue				<u>2,851,589</u>
<b>Change in Net Position</b>				(316,541)
<b>Net Position - Beginning of year</b>				<u>518,021</u>
<b>Net Position - End of year</b>				<b><u>\$ 201,480</u></b>

**Governmental Funds  
Balance Sheet**

**June 30, 2019**

	General Fund	Nonmajor Food Services Fund	Total Governmental Funds
<b>Assets</b>			
Cash (Note 4)	\$ 184,227	\$ -	\$ 184,227
Receivables - Due from other governments	890,264	-	890,264
Due from other fund (Note 7)	-	7,164	7,164
Prepaid costs	46,000	-	46,000
Total assets	<b>\$ 1,120,491</b>	<b>\$ 7,164</b>	<b>\$ 1,127,655</b>
<b>Liabilities</b>			
Accounts payable	\$ 67,270	\$ -	\$ 67,270
Unearned revenue (Note 5)	73,947	-	73,947
Due to other funds (Note 7)	20,280	-	20,280
Accrued liabilities and other	207,194	-	207,194
State aid anticipation note (Note 11)	105,935	-	105,935
Total liabilities	474,626	-	474,626
<b>Fund Balances</b>			
Nonspendable - Prepaid costs	46,000	-	46,000
Restricted - Food service	-	7,164	7,164
Unassigned	599,865	-	599,865
Total fund balances	645,865	7,164	653,029
Total liabilities and fund balances	<b>\$ 1,120,491</b>	<b>\$ 7,164</b>	<b>\$ 1,127,655</b>

**Governmental Funds**

**Reconciliation of the Balance Sheet to the Statement of Net Position**

---

**June 30, 2019**

<b>Fund Balances Reported in Governmental Funds</b>	<b>\$ 653,029</b>
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds:	
Cost of capital assets	398,392
Accumulated depreciation	<u>(370,708)</u>
Net capital assets used in governmental activities	27,684
Deferred inflows related to escalating lease payments are not reported in the funds	(82,349)
Some employee fringe benefits are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities:	
Net pension liability and related deferred inflows and outflows	(293,365)
Net OPEB liability and related deferred inflows and outflows	(90,946)
Revenue in support of pension contributions made subsequent to the measurement date is reported as a deferred inflow of resources in the statement of net position and is not reported in the funds	<u>(12,573)</u>
<b>Net Position of Governmental Activities</b>	<b><u><u>\$ 201,480</u></u></b>

**Governmental Funds**

**Statement of Revenue, Expenditures, and Changes in Fund Balances**

**Year Ended June 30, 2019**

	General Fund	Nonmajor Food Services Fund	Total Governmental Funds
<b>Revenue</b>			
Local sources	\$ 4,530	\$ -	\$ 4,530
State sources	3,149,707	4,010	3,153,717
Federal sources	433,670	244,311	677,981
Total revenue	3,587,907	248,321	3,836,228
<b>Expenditures</b>			
Instruction	1,705,219	-	1,705,219
Support services	2,145,648	-	2,145,648
Athletics	14,167	-	14,167
Food services	-	246,116	246,116
Community services	4,704	-	4,704
Total expenditures	3,869,738	246,116	4,115,854
<b>Excess of Revenue (Under) Over Expenditures</b>	(281,831)	2,205	(279,626)
<b>Fund Balances - Beginning of year</b>	927,696	4,959	932,655
<b>Fund Balances - End of year</b>	<b>\$ 645,865</b>	<b>\$ 7,164</b>	<b>\$ 653,029</b>

**Governmental Funds**

**Reconciliation of the Statement of Revenue, Expenditures, and Changes in  
Fund Balances to the Statement of Activities**

**Year Ended June 30, 2019**

<b>Net Change in Fund Balances Reported in Governmental Funds</b>	<b>\$ (279,626)</b>
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation - Depreciation expense	(9,019)
Governmental funds report rent expenditures based on the payment amount due per the lease. The statement of activities reports escalating rent payments based on a straight-line basis	(1,504)
Escalating lease payments are an expenditure in the governmental funds based on amounts paid, but not in the statement of activities (where a straight-line expense is determined based on payments over the term of the lease)	(50,550)
Some employee costs (pension, OPEB, or compensated absences) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds	<u>24,158</u>
<b>Change in Net Position of Governmental Activities</b>	<b><u><u>\$ (316,541)</u></u></b>

**West Village Academy**

---

**Fiduciary Funds**  
**Statement of Fiduciary Assets and Liabilities**

---

**June 30, 2019**

	<u>Agency Funds</u>
<b>Assets</b> - Due from other fund (Note 7)	<u><u>\$ 13,116</u></u>
<b>Liabilities</b> - Due to student activities	<u><u>\$ 13,116</u></u>

**Note 1 - Nature of Business**

West Village Academy (the "Academy") is a charter school in the state of Michigan that provides educational services to students.

**Note 2 - Significant Accounting Policies**

***Accounting and Reporting Principles***

The Academy follows accounting principles generally accepted in the United States of America (GAAP) applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board. The following is a summary of the significant accounting policies used by the Academy:

***Reporting Entity***

The Academy was formed as a charter school academy pursuant to the Michigan School Code of 1976, as amended by Act No. 362 of the Public Acts of 1993 and Act No. 416 of the Public Acts of 1994. The Academy obtained reauthorization of its charter from the Central Michigan University board of trustees not to exceed five years beginning July 1, 2019 following expiration of the Academy's previous charter through June 30, 2019. The contract requires the Academy to act exclusively as a governmental agency and not undertake any action inconsistent with its status as an entity authorized to receive state school aid funds pursuant to the state constitution. The Central Michigan University board of trustees is the fiscal agent for the Academy and is responsible for overseeing the Academy's compliance with the contract and all applicable laws. The Academy pays the Central Michigan University board of trustees 3.0 percent of state aid as administrative fees. Administrative fees for the year ended June 30, 2019 to the Central Michigan University board of trustees totaled approximately \$85,000.

***Report Presentation***

Governmental accounting principles require that financial reports include two different perspectives - the government-wide perspective and the fund-based perspective. 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 primary government and its component units, as applicable. The government-wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The statements also present a schedule reconciling these amounts to the modified accrual-based presentation found in the fund-based statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: (1) charges to customers or applicants for goods, services, or privileges provided and (2) operating grants and contributions. Unrestricted intergovernmental receipts and other items not properly included among program revenue are reported instead as general revenue.

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds, if any, are reported as separate columns in the fund financial statements.

**Note 2 - Significant Accounting Policies (Continued)**

***Basis of Accounting***

The governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting is intended to better demonstrate accountability for how the Academy has spent its resources.

Expenditures are reported when the goods are received or the services are rendered. Capital outlays are reported as expenditures (rather than as capital assets) because they reduce the ability to spend resources in the future; conversely, employee benefit costs that will be funded in the future (such as pension and retiree healthcare-related costs or sick and vacation pay) are not counted until they come due for payment. In addition, debt service expenditures, claims, and judgments are recorded only when payment is due.

Revenue is not recognized until it is collected, or collected soon enough after the end of the year that it is available to pay for obligations outstanding at the end of the year. For this purpose, the Academy considers amounts collected within 60 days of year end to be available for recognition. Revenue not meeting this definition is classified as a deferred inflow of resources.

***Fund Accounting***

The Academy accounts for its various activities in several different funds in order to demonstrate accountability for how it spends certain resources; separate funds allow the Academy to show the particular expenditures for which specific revenue is used. The various funds are aggregated into two broad fund types:

**Governmental Funds**

Governmental funds include all activities that provide general governmental services that are not business-type activities. Governmental funds include the General Fund and the special revenue fund. The Academy's only major fund is the General Fund, which is the primary operating fund because it accounts for all financial resources used to provide government services other than those specifically assigned to another fund.

Additionally, the Academy reports the following nonmajor governmental fund type:

- Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes. The Academy's special revenue fund is the Food Services Fund. Revenue sources for the Food Services Fund include sales to customers, as well as grants received from state and federal sources. Any operating deficit generated by these activities is the responsibility of the General Fund.

**Fiduciary Funds**

Fiduciary funds include amounts held in a fiduciary capacity for others. These amounts are not used to operate the Academy's programs. Activities that are reported as fiduciary include the following:

- The Student Activity Fund is used to record the transactions of student groups for schools and school-related purposes. The funds are segregated and are held for the students.

**Interfund Activity**

During the course of operations, the Academy 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, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

**Note 2 - Significant Accounting Policies (Continued)**

Furthermore, 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, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

***Specific Balances and Transactions***

**Cash and Investments**

Cash and cash equivalents include cash on hand and demand deposits.

**Receivables and Payables**

In general, outstanding balances between funds are reported as "due to/from other funds." Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds."

All receivables are expected to be fully collected in July and August 2019 and are considered current for the purposes of these financial statements.

**Prepaid Items**

Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements, when applicable.

**Capital Assets**

Capital assets, which include leasehold improvements and furniture and fixtures, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the Academy as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation. Leasehold improvements were fully depreciated at year end. Furniture and equipment are depreciated using the straight-line method over the useful lives of five to seven years.

**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 represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense/expenditure) until then.

The Academy reports deferred outflows related to deferred pension and OPEB costs.

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 represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time.

**Note 2 - Significant Accounting Policies (Continued)**

The Academy reports deferred inflows related to revenue in support of pension contributions made subsequent to the measurement date, deferred pension and OPEB plan cost reductions, and the building lease.

**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 nonspendable fund balance component represents amounts that are not in spendable form or are legally or contractually required to be maintained intact. Restricted fund balance represents amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose. The Academy 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 Academy's highest level of decision-making authority. The board of directors is the highest level of decision-making authority for the Academy that can, by passing a resolution prior to the end of the fiscal year, commit fund balance. Once passed, the limitation imposed by the resolution remains in place until a similar action is taken (the passing of another resolution) to remove or revise the limitation.

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

**Pension and Other Postemployment Benefit (OPEB) Plans**

For purposes of measuring the net pension and net OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to each plan, and pension and OPEB expense, information about the fiduciary net position of the Michigan Public School Employees' Retirement System (MPSERS) and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. MPSERS uses the economic resources measurement focus and the full accrual basis of accounting. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments (including refunds of employee contributions) are recognized as expenses when due and payable in accordance with the plan benefit terms. Related plan investments are reported at fair value.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

## Note 2 - Significant Accounting Policies (Continued)

### *Upcoming Accounting Pronouncements*

In January 2017, the Governmental Accounting Standards Board issued Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. The Academy is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the Academy's financial statements for the year ending June 30, 2020.

In June 2017, the Governmental Accounting Standards Board issued GASB Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires 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. The Academy is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the Academy's financial statements for the year ending June 30, 2021.

## Note 3 - Stewardship, Compliance, and Accountability

### *Budgetary Information*

Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the General Fund and all special revenue funds, except that capital outlay expenditures are reported in other expenditure categories. All annual appropriations lapse at fiscal year end.

The Academy formally adopted a General Fund budget by line item and a special revenue fund budget by function for the fiscal year ended June 30, 2019. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the Academy to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year. During the year, the budget was amended in a legally permissible manner. Amendments were made during the year to refine enrollment and related spending projections, as well as adjustment for amendments made to federal grants.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders or contracts) are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

### *Excess of Expenditures Over Appropriations in Budgeted Funds*

The Academy did not have significant expenditure budget variances.

## Note 4 - Deposits and Investments

State statutes and the Academy's investment policy authorize the Academy to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The Academy is allowed to invest in U.S. Treasury or agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The Academy's deposits are in accordance with statutory authority. As of June 30, 2019, the Academy does not have any investments.

June 30, 2019

**Note 4 - Deposits and Investments (Continued)**

The Academy has designated one bank for the deposit of its funds.

The investment policy adopted by the board in accordance with state statutes has authorized investment in bonds and securities of the United States government; obligations, the principal and interest of which are fully guaranteed by the United States; obligations of the State; certificates of deposit issued by financial institutions organized and authorized to operate in this state; commercial paper rated prime 1 or prime 2 at the time of purchase and maturing not more than 270 days after the date of purchase; and Michigan Investment Liquid Asset Fund Plus (MILAF) investment pools, but not the remainder of state statutory authority, as listed above.

The Academy's cash is subject to custodial risk, which is examined in more detail below:

***Custodial Credit Risk of Bank Deposits***

Custodial credit risk is the risk that, in the event of a bank failure, the Academy's deposits may not be returned to it. The Academy's investment policy requires that financial institutions be evaluated and only those with an acceptable risk level be used for the Academy's deposits for custodial credit risk. At year end, the Academy's deposit balance is \$231,420; therefore, no bank deposits were uninsured or uncollateralized. The Academy believes that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Academy evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

**Note 5 - Unavailable/Unearned Revenue**

Governmental funds report unavailable revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also report unearned revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the Academy had unearned revenue of \$73,947 related to categorical aid payments received prior to meeting all eligibility requirements.

**Note 6 - Capital Assets**

Capital asset activity of the Academy's governmental activities was as follows:

***Governmental Activities***

	Balance July 1, 2018	Additions	Disposals	Balance June 30, 2019
Capital assets being depreciated:				
Leasehold improvements	\$ 200,000	\$ -	\$ -	\$ 200,000
Furniture and equipment	198,392	-	-	198,392
Subtotal	398,392	-	-	398,392
Accumulated depreciation:				
Leasehold improvements	200,000	-	-	200,000
Furniture and equipment	161,689	9,019	-	170,708
Subtotal	361,689	9,019	-	370,708
Net governmental activities capital assets	\$ 36,703	\$ (9,019)	\$ -	\$ 27,684

Depreciation expense was not charged to activities, as the Academy considers its assets to benefit multiple activities and allocation is not practical.

**Note 7 - Interfund Receivables and Payables**

The composition of interfund balances is as follows:

Interfund balances include amounts due from the General Fund to the Food Services Fund and the fiduciary fund of \$7,164 and \$13,116, respectively. These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

**Note 8 - Leases**

***Operating Leases***

The Academy has entered into an operating lease agreement for its facility with a company owned by an affiliate of its former management company through July 31, 2027, with monthly payments of \$43,000 with 4 percent increases every two years. The Academy incurred rent expense in connection with its building leases of \$519,443 for the year ended June 30, 2019.

The Academy has also entered into an operating lease agreement for office equipment. The lease term extends through June 30, 2020 with monthly payments of \$596. Equipment lease expense incurred for the year ended June 30, 2019 was approximately \$7,200.

Additionally, the Academy has entered into an operating lease agreement for telephone equipment. The lease term extends through July 15, 2019 with monthly payments of \$434. Telephone lease expense incurred for the year ended June 30, 2019 was approximately \$200.

The future minimum lease payments for these leases are as follows:

Years Ending	Amount
2020	\$ 542,078
2021	536,640
2022	556,317
2023	558,106
2024	578,569
Thereafter	<u>1,836,093</u>
Total	<u>\$ 4,607,803</u>

**Note 9 - Risk Management**

The Academy is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Academy has purchased commercial insurance for all claims. Settled claims have not exceeded the amount of insurance coverage in any of the past three fiscal years.

**Note 10 - Management Agreement**

Effective July 31, 2009, the Academy entered into a management agreement with a for-profit corporation. The management company is responsible for all human resources, personnel, payroll, benefits, and related administrative functions for the Academy. The Academy subcontracted most employees from the management company and reimburses the management company for operating costs. The administrative costs charged to the Academy by the management company were \$69,111 for the year ended June 30, 2019. The agreement was renewed during June 2019 through June 30, 2020.

**Note 11 - Short-term Debt**

The Academy has direct borrowings from the Michigan Finance Authority (the "Lender") to provide sufficient resources before receiving its scheduled state aid. This liability is recorded as a fund liability in the General Fund.

June 30, 2019

**Note 11 - Short-term Debt (Continued)**

During the year, the Academy redeemed \$488,065 of these state aid anticipation notes (the "notes") and issued new notes of \$594,000, resulting in an outstanding balance of \$105,935 at June 30, 2019. The current note requires monthly payments of \$55,532 for principal and interest, bearing interest at 5.3 percent through August 20, 2019. There is no interest accrued for this note as of June 30, 2019.

In the event of default, the notes are fully collateralized by the Academy's future state aid funding, and the lender has the authority to intercept state aid payments at its discretion. In the event that all or a portion of the required payments at maturity are not made, a penalty interest rate will go into effect that could exceed 8.3 percent, and interest becomes due on demand. If the lender has reason to believe that the Academy will be unable to fulfil the required repayments, the lender has the sole discretion to accelerate the principal and interest repayments.

**Note 12 - Michigan Public School Employees' Retirement System**

***Plan Description***

The Academy participates in the Michigan Public School Employees' Retirement System (MPERS or the "System"), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the Academy. Certain academy employees also receive defined contribution retirement and healthcare benefits through the System. The System provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The System also provides postemployment healthcare benefits to retirees and beneficiaries who elect to receive those benefits.

The System is administered by the Office of Retirement Services (ORS). The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplemental information for the pension and postemployment healthcare plans. That report is available on the web at <http://www.michigan.gov/orsschools>, or by writing to the Office of Retirement System (ORS) at 7150 Harris Drive, P.O. Box 30171, Lansing, MI 48909.

***Benefits Provided***

Benefit provisions of the defined benefit (DB) pension plan and 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 for the defined benefit pension plan and the postemployment healthcare plan.

Depending on the plan option selected, member retirement benefits are calculated as final average compensation times years of services times a pension factor ranging from 1.25 percent to 1.50 percent. The requirements to retire range from attaining the age of 46 to 60 with years of service ranging from 5 to 30 years, depending on when the employee became a member. Early retirement is computed in the same manner as a regular pension, but is permanently reduced 0.50 percent for each full and partial month between the pension effective date and the date the member will attain age 60. There is no mandatory retirement age.

Depending on the member's date of hire, MPERS offers the option of participating in the defined contribution (DC) plan that provides a 50 percent employer match (up to 3 percent of salary) on employee contributions.

Members are eligible for nonduty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits, but are payable immediately without an actuarial reduction. The disability benefits plus authorized outside earnings are limited to 100 percent of the participant's final average compensation, with an increase of 2 percent each year thereafter.

June 30, 2019

**Note 12 - Michigan Public School Employees' Retirement System (Continued)**

Benefits may transfer to a beneficiary upon death and are determined in the same manner as retirement benefits, but with an actuarial reduction.

Benefit terms provide for annual cost of living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustment, if applicable, is 3 percent. Some members who do not receive an annual increase are eligible to receive a supplemental payment in those years when investment earnings exceed actuarial assumptions.

MPSERS provides medical, prescription drug, dental, and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by MPSERS, with the balance deducted from the monthly pension of each retiree healthcare recipient. Depending on the member's date of hire, this subsidized portion ranges from 80 percent to the maximum allowed by the statute.

**Contributions**

Public Act 300 of 1980, as amended, required the Academy to contribute amounts necessary to finance the coverage of pension benefits of active and retired members. Contribution provisions are specified by state statute and may be amended only by action of the state Legislature. Under these provisions, each academy's contribution is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance a portion of the unfunded accrued liability.

Under the OPEB plan, retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent, or 20 percent for those not Medicare eligible, of the monthly premium amount for the health, dental, and vision coverage at the time of receiving the benefits. The MPSERS board of trustees annually sets the employer contribution rate to fund the benefits. Participating employers are required to contribute at that rate.

Under Public Act 300 of 2012, members were given the choice between continuing the 3 percent contribution to the retiree health care 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 the retiree health care as of the day before their transition date, and their prior contributions were deposited into their 401(k) account.

The Academy's contributions are determined based on employee elections. There are multiple different pension and healthcare benefit options included in the plan available to employees based on date of hire and the elections available at that time. Contribution rates are adjusted annually by the ORS.

The range of rates is as follows:

	Pension	OPEB
October 1, 2017 - January 31, 2018	13.54% - 17.89%	7.42% - 7.67%
February 1, 2018 - September 30, 2018	13.54% - 19.74%	7.42% - 7.67%
October 1, 2018 - September 30, 2019	13.39% - 19.59%	7.57% - 7.93%

Depending on the plan selected, member pension contributions range from 0 percent up to 7.0 percent of gross wages. For certain plan members, a 4 percent employer contribution to the defined contribution pension plan is required. In addition, for certain plan members, a 3 percent employer match is provided to the defined contribution pension plan.

June 30, 2019

**Note 12 - Michigan Public School Employees' Retirement System (Continued)**

The Academy's required and actual pension contributions to the plan for the year ended June 30, 2019 were \$29,825, which include the Academy's contributions required for those members with a defined contribution benefit. The Academy's required and actual pension contributions include an allocation of \$12,573 in revenue received from the State of Michigan and remitted to the System to fund the MPSERS unfunded actuarial accrued liability (UAAL) stabilization rate for the year ended June 30, 2019.

The Academy's required and actual OPEB contributions to the plan for the year ended June 30, 2019 were \$7,472, which include the Academy's contributions required for those members with a defined contribution benefit.

**Net Pension Liability**

At June 30, 2019, the Academy reported a liability of \$337,110, for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2017, which used updated procedures to roll forward the estimated liability to September 30, 2018. The Academy's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2018 and 2017, the Academy's proportion was 0.001 percent.

**Net OPEB Liability**

At June 30, 2019, the Academy reported a liability of \$91,002, for its proportionate share of the net OPEB liability. The net OPEB liability for fiscal year 2019 was measured as of September 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2017, which used updated procedures to roll forward the estimated liability to September 30, 2018. The Academy's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2018 and 2017, the Academy's proportion was 0.001 percent.

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For 2019, the Academy recognized pension expense of \$10,327, inclusive of payments to fund the MPSERS UAAL stabilization rate. At June 30, 2019, the Academy reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 1,564	\$ (2,450)
Changes in assumptions	78,074	-
Net difference between projected and actual earnings on pension plan investments	-	(23,050)
Changes in proportion and differences between the Academy's contributions and proportionate share of contributions	7,935	(43,904)
The Academy's contributions to the plan subsequent to the measurement date	25,576	-
	<u>113,149</u>	<u>(69,404)</u>
Total	<u>\$ 113,149</u>	<u>\$ (69,404)</u>

June 30, 2019

**Note 12 - Michigan Public School Employees' Retirement System (Continued)**

The \$12,573 reported as deferred inflows of resources resulting from the pension portion of state aid payments received pursuant to the UAAL payment will be recognized as state appropriations revenue for the year ended June 30, 2020. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending	Amount
2020	\$ (4,942)
2021	6,302
2022	11,101
2023	5,708
Total	<u>\$ 18,169</u>

In addition, the contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the next year.

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

For the year ended June 30, 2019, the Academy recognized OPEB expense of \$5,573.

At June 30, 2019, the Academy reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ (16,938)
Changes in assumptions	9,637	-
Net difference between projected and actual earnings on OPEB plan investments	-	(3,497)
Changes in proportionate share or difference between amount contributed and proportionate share of contributions	5,220	(16)
Employer contributions to the plan subsequent to the measurement date	5,650	-
Total	<u>\$ 20,507</u>	<u>\$ (20,451)</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (note that employer contributions subsequent to the measurement date will reduce the net OPEB liability and, therefore, will not be included in future OPEB expense):

Years Ending	Amount
2020	\$ (1,536)
2021	(1,536)
2022	(1,536)
2023	(822)
2024	(164)
Total	<u>\$ (5,594)</u>

June 30, 2019

**Note 12 - Michigan Public School Employees' Retirement System (Continued)**

**Actuarial Assumptions**

The total pension liability and total OPEB liability as of September 30, 2018 is based on the results of an actuarial valuation as of September 30, 2017 and rolled forward. The total pension liability and OPEB liability were determined using the following actuarial assumptions:

Actuarial cost method		Entry age normal cost actuarial cost method
Investment rate of return - Pension	6.00% - 7.05%	Net of investment expenses based on the groups
Investment rate of return - OPEB	7.15%	Net of investment expenses based on the groups
Salary increases	2.75% - 11.55%	Including wage inflation of 2.75% for 2019 and 3.50% for 2018
Healthcare cost trend rate - OPEB	7.50%	Year 1 graded to 3.0% year 12
Mortality basis		RP2014 Male and Female Employee Annuitant Mortality tables, scaled 100% (retirees: 82% for males and 78% for females) and adjusted for mortality improvements using projection scale MP2017 from 2006
Cost of living pension adjustments	3.00%	Annual noncompounded for MIP members

Assumption changes as a result of an experience study for the periods from 2012 to 2017 have been adopted by the System for use in the annual pension and OPEB valuations beginning with the September 30, 2017 valuation.

**Discount Rate**

The discount rate used to measure the total pension liability was 6.00 to 7.05 percent as of September 30, 2018, depending on the plan option. The discount rate used to measure the total OPEB liability was 7.15 percent as of September 30, 2018. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that district contributions will be made at statutorily required rates.

Based on those assumptions, the pension plan's fiduciary net position and the OPEB plan's fiduciary net position were projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan and OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension liability and total OPEB liability.

The long-term expected rate of return on pension plan and OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of 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. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity pools	28.00 %	5.70 %
Private equity pools	18.00	9.20
International equity pools	16.00	7.20
Fixed-income pools	10.50	0.50
Real estate and infrastructure pools	10.00	3.90
Absolute return pools	15.50	5.20
Short-term investment pools	2.00	-
Total	100.00 %	

June 30, 2019

**Note 12 - Michigan Public School Employees' Retirement System (Continued)*****Sensitivity of the Net Pension Liability to Changes in the Discount Rate***

The following presents the net pension liability of the Academy, calculated using the discount rate depending on the plan option. The following also reflects what the Academy's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percent Decrease (5.00% - 6.05%)	Current Discount Rate (6.00% - 7.05%)	1 Percent Increase (7.00% - 8.05%)
Net pension liability of the Academy	\$ 442,599	\$ 337,110	\$ 249,466

***Sensitivity of the Net OPEB Liability to Changes in the Discount Rate***

The following presents the net OPEB liability of the Academy, calculated using the current discount rate. It also reflects what the Academy's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percent Decrease (6.15%)	Current Discount Rate (7.15%)	1 Percent Increase (8.15%)
Net OPEB liability of the Academy	\$ 109,246	\$ 91,002	\$ 75,657

***Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate***

The following presents the net OPEB liability of the Academy, calculated using the current healthcare cost trend rate. It also reflects what the Academy's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percent Decrease (6.50%)	Current Rate (7.50%)	1 Percent Increase (8.50%)
Net OPEB liability of the Academy	\$ 74,848	\$ 91,002	\$ 109,534

***Pension Plan and OPEB Plan Fiduciary Net Position***

Detailed information about the plan's fiduciary net position is available in the separately issued MPSERS financial report.

***Payable to the Pension Plan and OPEB Plan***

At June 30, 2019, the Academy had no outstanding amount of contributions to the pension plan and OPEB plan required for the year ended June 30, 2019.

---

## Required Supplemental Information

---

**Required Supplemental Information  
Budgetary Comparison Schedule - General Fund**

**Year Ended June 30, 2019**

	Original Budget	Final Budget	Actual	(Under) Over Final Budget
<b>Revenue</b>				
Local sources	\$ 6,500	\$ 10,887	\$ 4,530	\$ (6,357)
State sources	3,711,208	3,227,599	3,149,707	(77,892)
Federal sources	443,464	464,387	433,670	(30,717)
Total revenue	4,161,172	3,702,873	3,587,907	(114,966)
<b>Expenditures</b>				
Current:				
Instruction:				
Basic programs	1,279,788	1,018,117	1,033,389	15,272
Added needs	775,750	768,771	671,830	(96,941)
Total instruction	2,055,538	1,786,888	1,705,219	(81,669)
Support services:				
Pupil	249,422	261,924	260,557	(1,367)
Instructional staff	66,306	65,226	45,828	(19,398)
General administration	236,877	232,703	237,485	4,782
School administration	421,962	488,009	489,062	1,053
Business	46,338	79,021	78,952	(69)
Operations and maintenance	937,468	903,754	891,251	(12,503)
Pupil transportation services	116,351	144,549	137,813	(6,736)
Central	3,828	6,400	4,700	(1,700)
Total support services	2,078,552	2,181,586	2,145,648	(35,938)
Athletics	2,814	14,763	14,167	(596)
Community services	1,800	5,325	4,704	(621)
Total expenditures	4,138,704	3,988,562	3,869,738	(118,824)
<b>Excess of Revenue Over (Under) Expenditures</b>	22,468	(285,689)	(281,831)	3,858
<b>Other Financing Uses - Transfer out</b>	(19,020)	(11,623)	-	11,623
<b>Net Change in Fund Balance</b>	3,448	(297,312)	(281,831)	15,481
<b>Fund Balance - Beginning of year</b>	927,696	927,696	927,696	-
<b>Fund Balance - End of year</b>	<u>\$ 931,144</u>	<u>\$ 630,384</u>	<u>\$ 645,865</u>	<u>\$ 15,481</u>

## West Village Academy

### Required Supplemental Information Schedule of Proportionate Share of the Net Pension Liability Michigan Public School Employees' Retirement System

	Last Five Plan Years				
	Plan Years Ended September 30				
	2018	2017	2016	2015	2014
Academy's proportion of the net pension liability	0.00112 %	0.00108 %	0.00117 %	0.00140 %	0.00175 %
Academy's proportionate share of the net pension liability	\$ 337,110	\$ 279,900	\$ 290,835	\$ 342,954	\$ 384,594
Academy's covered employee payroll	\$ 96,885	\$ 90,000	\$ 85,846	\$ 97,356	\$ 158,049
Academy's proportionate share of the net pension liability as a percentage of its covered employee payroll	347.95 %	311.00 %	338.79 %	352.27 %	243.34 %
Plan fiduciary net position as a percentage of total pension liability	62.12 %	63.96 %	63.01 %	62.92 %	66.20 %

## West Village Academy

### Required Supplemental Information Schedule of Pension Contributions Michigan Public School Employees' Retirement System

#### Last Five Fiscal Years Years Ended June 30

	2019	2018	2017	2016	2015
Statutorily required contribution	\$ 29,825	\$ 28,195	\$ 25,973	\$ 28,608	\$ 26,149
Contributions in relation to the statutorily required contribution	29,825	28,195	25,973	28,608	26,149
<b>Contribution Deficiency (Excess)</b>	<b>\$ -</b>				
<b>Academy's Covered Employee Payroll</b>	<b>\$ 95,000</b>	<b>\$ 94,231</b>	<b>\$ 93,462</b>	<b>\$ 97,529</b>	<b>\$ 131,342</b>
<b>Contributions as a Percentage of Covered Employee Payroll</b>	<b>31.39 %</b>	<b>29.92 %</b>	<b>27.79 %</b>	<b>29.33 %</b>	<b>19.91 %</b>

## West Village Academy

---

### Required Supplemental Information Schedule of Proportionate Share of the Net OPEB Liability Michigan Public School Employees' Retirement System

---

#### Last Two Plan Years Plan Years Ended September 30

	2018	2017
Academy's proportion of the net OPEB liability	0.00114 %	0.00108 %
Academy's proportionate share of the net OPEB liability	\$ 91,002	\$ 95,239
Academy's covered employee payroll	\$ 96,885	\$ 90,000
Academy's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	93.93 %	105.82 %
Plan fiduciary net position as a percentage of total OPEB liability	43.10 %	36.53 %

Required Supplemental Information  
Schedule of OPEB Contributions  
Michigan Public School Employees' Retirement System

**Last Two Fiscal Years  
Years Ended June 30**

	2019	2018
Statorily required contribution	\$ 7,472	\$ 6,813
Contributions in relation to the statorily required contribution	7,472	6,813
<b>Contribution Deficiency (Excess)</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Academy's Covered Employee Payroll</b>	<b>\$ 95,000</b>	<b>\$ 94,231</b>
<b>Contributions as a Percentage of Covered Employee Payroll</b>	<b>7.87 %</b>	<b>7.23 %</b>

***Pension Information***

Ultimately, 10 years of data will be presented in both of the pension-related schedules. The number of years currently presented represents the number of years since the accounting standard requiring these schedules first became applicable.

**Benefit Changes**

There were no changes of benefit terms for each of the reported plan years ended September 30.

**Changes in Assumptions**

There was no significant changes of assumptions for each of the reported plan years ended September 30, except for the following:

- 2018 - The discount rate used in the September 30, 2017 actuarial valuation decreased by 0.45 percent.
- 2017 - The discount rate used in the September 30, 2016 actuarial valuation decreased by 0.50 percent.

***OPEB Information***

Ultimately, 10 years of data will be presented in both of the OPEB-related schedules. The number of years currently presented represents the number of years since the accounting standard requiring these schedules first became applicable.

**Benefit Changes**

There were no changes of benefit terms for each of the reported plan years ended September 30.

**Changes in Assumptions**

There were no significant changes of assumptions for each of the reported plan years ended September 30, except for the following:

- 2018 - The discount rate used in the September 30, 2017 actuarial valuation decreased by 0.35 percent.