West Village Academy

Financial Report
with Supplemental Information
June 30, 2021

Contents

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 aggregate remaining fund information of West Village Academy (the "Academy") as of and for the year ended June 30, 2021 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 aggregate remaining fund information of West Village Academy as of June 30, 2021 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.

Emphasis of Matter

As described in Note 2 to the financial statements, as of July 1, 2020, the Academy adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

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 Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise West Village Academy's basic financial statements. The other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The other supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 3, 2021 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 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 West Village Academy's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering West Village Academy's internal control over financial reporting and compliance.

September 3, 2021

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, and the aggregate remaining fund information of West Village Academy (the "Academy") as of and for the year ended June 30, 2021 and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated September 3, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Academy's internal control over financial reporting (internal control) as a basis for designing 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 financial statements. 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.*

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.

September 3, 2021

This section of the annual financial report for West Village Academy (the "Academy") presents our discussion and analysis of the Academy's financial performance during the year ended June 30, 2021. 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 all other funds presented in one column as the nonmajor funds - the Food Service Fund and Student Activities Fund. 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 Comparison Schedule - General Fund

Schedule of Proportionate Share of the Net Pension Liability

Schedule of Pension Contributions

Schedule of Proportionate Share of the Net OPEB Liability

Schedule of OPEB Contributions

Notes to Required Supplemental Information

Other 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 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 Service 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.

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, 2021 and 2020:

	Governmental Activities	
	2021	2020
	(in thousands)	
Assets		
Current and other assets	$ 1,085.7	$ 953.4
Capital assets	125.9	19.4
Total assets	1,211.6	972.8
Deferred Outflows of Resources	135.9	143.5
Liabilities		
Current liabilities	445.1	358.9
Noncurrent liabilities	601.5	568.9
Total liabilities	1,046.6	927.8
Deferred Inflows of Resources	67.0	72.9
Net Position		
Net investment in capital assets	125.9	19.4
Restricted	9.4	-
Unrestricted	98.6	96.2
Total net position	**$ 233.9**	**$ 115.6**

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 $233.9 thousand at June 30, 2021. Net investment in capital assets totaling $125.9 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 ($98.6 thousand) was unrestricted.

The $98.6 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 $472.8 thousand of net pension and OPEB liabilities and related activity arising from the underfunded MPSERS obligation.

As required by the Governmental Accounting Standards Board (GASB), the Academy adopted Statement No. 84, *Fiduciary Activities*, as of July 1, 2020. This standard provides guidance on the identification and reporting of fiduciary activities and required the Academy to evaluate activities to determine if they were fiduciary in nature. The standard also changed the reporting and presentation requirements of fiduciary activities. The effect of the adoption on the governmental activities was to increase July 1, 2020 beginning net position by approximately $10,500, which represents the student activities that were previously reported as fiduciary but are now reported as governmental in accordance with GASB 84. The governmental statement of net position at June 30, 2021 and statement of activities for the year ended June 30, 2021 include all the balances and transactions for those activities that were previously reported as fiduciary. All school districts and academies were required to adopt this new standard.

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, 2021 and 2020.

	Governmental Activities (in thousands)	
	2021	2020
Revenue		
Program revenue - Operating grants	$ 997.7	$ 970.7
General revenue:		
State aid not restricted to specific purposes	2,954.4	2,915.8
Other	1.1	2.2
Total revenue	3,953.2	3,888.7
Expenses		
Instruction	1,552.4	1,616.4
Support services	2,143.5	2,136.4
Food services	133.2	213.3
Community services	7.1	0.2
Depreciation expense (unallocated)	9.2	8.3
Total expenses	3,845.4	3,974.6
Change in Net Position	107.8	(85.9)
Net Position - Beginning of year (as restated)	126.1	201.5
Net Position - End of year	**$ 233.9**	**$ 115.6**

As reported in the statement of activities, the cost of all of our governmental activities this year was $3,845.4 thousand. Certain activities were partially funded by other governments and organizations that subsidized certain programs with grants and contributions ($997.7 thousand). We paid for the remaining public benefit portion of our governmental activities with $2,954.4 thousand in state foundation allowance.

The Academy experienced an increase in net position of $107.8 thousand. The key reason for the change in net position was additional funding associated with the COVID-19 pandemic.

As discussed above, the net cost shows the financial burden that was placed on the State and the Academy's taxpayers by each of these functions. Since unrestricted state aid constitutes the vast majority of academy 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 $640.5 thousand, which is an increase of $35.6 thousand from last year. The primary reasons for the increase are as follows:

In the General Fund, our principal operating fund, the fund balance increased $36.6 thousand to $631.1 thousand. The change is due mainly to additional funding associated with the COVID-19 pandemic.

The fund balance of our special revenue funds decreased $1.0 thousand from last year. With the adoption of GASB 84, the Academy created the Student Activities special revenue fund to account for activities previously reported as fiduciary funds. The effect of the adoption was to increase July 1, 2020 beginning fund balance by $10,500.

Budgetary Highlights

Over the course of the year, the Academy revises its budget as it attempts to deal with unexpected changes in revenue and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was adopted in June 2021. A schedule showing the Academy's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements.

There were significant revisions made to the 2020-2021 original budget. Budgeted revenue was increased $812.3 thousand due to state aid not being cut in 2020-2021 as initially projected, as well as additional funding appropriations due to the COVID-19 pandemic.

Budgeted expenditures were also increased $307.2 thousand to account for the elevated expenses due to the COVID-19 pandemic.

There were no significant variances between the final budget and actual amounts except within state and federal revenue, which is attributed to the COVID-19 pandemic.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2021, the Academy had $125.9 thousand invested in furniture and equipment. This amount represents a net increase (including additions, disposals, and depreciation) of approximately $106.5 thousand from 2020 to 2021.

Current year additions relate to a complete flooring renovation. No major capital projects are planned for the 2021-2022 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 fiscal 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 2021-2022 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 2021-2022 budget was adopted in June 2021 based on an estimate of students who will enroll in September 2021. Approximately 77.0 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, academy funding is heavily dependent on the State’s ability to fund local school operations. Based on early enrollment data at the start of the 2022 school year, we anticipate that the fall student count will be higher than the estimates used in creating the 2021-2022 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.

Statement of Net Position

June 30, 2021

		Governmental Activities
Assets		
Cash (Note 4)	$	253,417
Receivables - Due from other governments		787,477
Prepaid costs		44,720
Capital assets - Net (Note 5)		125,926
Total assets		1,211,540
Deferred Outflows of Resources		
Deferred pension costs (Note 11)		100,366
Deferred OPEB costs (Note 11)		35,567
Total deferred outflows of resources		135,933
Liabilities		
Accounts payable		42,217
Unearned revenue		89,656
Accrued liabilities and other:		
Payroll taxes and withholdings		192,061
Other accrued liabilities		21,316
State aid anticipation note (Note 10)		99,824
Noncurrent liabilities -		
Due in more than one year:		
Deferred rent		128,718
Net pension liability (Note 11)		408,713
Net OPEB liability (Note 11)		64,104
Total liabilities		1,046,609
Deferred Inflows of Resources		
Other deferred inflows (Note 11)		15,338
Deferred pension cost reductions (Note 11)		3,391
Deferred OPEB cost reductions (Note 11)		48,243
Total deferred inflows of resources		66,972
Net Position		
Net investment in capital assets		125,926
Restricted - Student activities		9,422
Unrestricted		98,544
Total net position	**$**	**233,892**

See notes to financial statements.

Statement of Activities

Year Ended June 30, 2021

	Expenses	Program Revenue: Charges for Services	Program Revenue: Operating Grants and Contributions	Governmental Activities: Net (Expense) Revenue and Changes in Net Position
Functions/Programs				
Primary government - Governmental activities:				
Instruction	$ 1,552,371	$ -	$ 648,997	$ (903,374)
Support services	2,143,482	-	229,249	(1,914,233)
Food services	133,212	-	112,400	(20,812)
Community services	7,084	-	7,084	-
Depreciation expense (unallocated) (Note 5)	9,224	-	-	(9,224)
Total primary government	**$ 3,845,373**	**$ -**	**$ 997,730**	(2,847,643)
General revenue:				
State aid not restricted to specific purposes				2,954,423
Other sources				1,033
Total general revenue				2,955,456
Change in Net Position				107,813
Net Position - Beginning of year (as restated) (Note 2)				126,079
Net Position - End of year				**$ 233,892**

Governmental Funds Balance Sheet

June 30, 2021

	General Fund	Nonmajor Funds	Total Governmental Funds
Assets			
Cash (Note 4)	$ 253,417	$ -	$ 253,417
Receivables - Due from other governments	787,477	-	787,477
Due from other funds (Note 6)	-	9,422	9,422
Prepaid costs	44,720	-	44,720
Total assets	**$ 1,085,614**	**$ 9,422**	**$ 1,095,036**
Liabilities			
Accounts payable	$ 42,217	$ -	$ 42,217
Unearned revenue	89,656	-	89,656
Due to other funds (Note 6)	9,422	-	9,422
Accrued liabilities and other	213,377	-	213,377
State aid anticipation note (Note 10)	99,824	-	99,824
Total liabilities	454,496	-	454,496
Fund Balances			
Nonspendable - Prepaid costs	44,720	-	44,720
Committed - Student activities	-	9,422	9,422
Assigned - Subsequent year's budget	133,970	-	133,970
Unassigned	452,428	-	452,428
Total fund balances	631,118	9,422	640,540
Total liabilities and fund balances	**$ 1,085,614**	**$ 9,422**	**$ 1,095,036**

See notes to financial statements.

Governmental Funds
Reconciliation of the Balance Sheet to the Statement of Net Position

		June 30, 2021
Fund Balances Reported in Governmental Funds	$	640,540
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		514,105
Accumulated depreciation		(388,179)
Net capital assets used in governmental activities		125,926
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		(311,738)
Net OPEB liability and related deferred inflows and outflows		(76,780)
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		(15,338)
Liabilities related to escalating lease payments are not reported in the funds		(128,718)
Net Position of Governmental Activities	**$**	**233,892**

Governmental Funds
Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended June 30, 2021

	General Fund	Nonmajor Funds	Total Governmental Funds
Revenue			
Local sources	$ 904	$ 129	$ 1,033
State sources	3,232,662	3,664	3,236,326
Federal sources	610,015	108,736	718,751
Total revenue	3,843,581	112,529	3,956,110
Expenditures			
Current:			
Instruction	1,552,371	-	1,552,371
Support services	2,110,954	1,145	2,112,099
Food services	-	133,212	133,212
Community services	7,084	-	7,084
Capital outlay	115,713	-	115,713
Total expenditures	3,786,122	134,357	3,920,479
Excess of Revenue Over (Under) Expenditures	57,459	(21,828)	35,631
Other Financing Sources (Uses)			
Transfers in (Note 6)	-	20,812	20,812
Transfers out (Note 6)	(20,812)	-	(20,812)
Total other financing (uses) sources	(20,812)	20,812	-
Net Change in Fund Balances	36,647	(1,016)	35,631
Fund Balances - Beginning of year (as restated) (Note 2)	594,471	10,438	604,909
Fund Balances - End of year	**$ 631,118**	**$ 9,422**	**$ 640,540**

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

Year Ended June 30, 2021

Net Change in Fund Balances Reported in Governmental Funds	$	35,631
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:		
Capitalized capital outlay		115,713
Depreciation expense		(9,224)
Revenue in support of pension contributions made subsequent to the measurement date		(2,924)
Some employee costs (pension, OPEB, and compensated absences) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds		(9,058)
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)		(22,325)
Change in Net Position of Governmental Activities	**$**	**107,813**

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), as 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 on 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, 2021 to the Central Michigan University board of trustees totaled approximately $88,000.

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 health care-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 funds. 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 two special revenue funds are the Food Service Fund and the Student Activities Fund. Revenue sources for the Food Service Fund include sales to customers, as well as grants received from state and federal sources. Revenue sources for the Student Activities Fund include fundraising revenue and donations earned and received by student groups. Any operating deficit generated by these activities is the responsibility of the General Fund.

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.

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.

Note 2 - Significant Accounting Policies (Continued)

Specific Balances and Transactions

Cash and Investments

Cash includes 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 2021 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 are depreciated using the straight-line method over the useful life of three years. 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 and/or balance sheet 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 and/or balance sheet 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.

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.

Net Position

Net position of the Academy is classified in three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and is reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted net position is the remaining net position that does not meet the definition of invested in capital or restricted.

Note 2 - Significant Accounting Policies (Continued)

Net Position Flow Assumption

The Academy will sometimes fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements (as applicable), a flow assumption must be made about the order in which the resources are considered to be applied. It is the Academy's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance Flow Assumptions

The Academy will sometimes 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 Academy's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Furthermore, 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 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.

Note 2 - Significant Accounting Policies (Continued)

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.

Adoption of New Accounting Pronouncement

During the current year, the Academy adopted GASB Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying and reporting fiduciary activities. As a result of implementing this standard, student activities were previously reported as fiduciary activities but no longer meet the definition of such; therefore, these activities are now reported within a nonmajor governmental special revenue fund.

The effect of this new standard on fund balance/net position was as follows:

	Governmental Activities	Governmental Funds
Net position/fund balance - June 30, 2020 (as previously reported)	$ 115,641	$ 594,471
Adjustment for GASB Statement No. 84 to change fund type	10,438	10,438
Net position/fund balance - June 30, 2020 (as restated)	$ 126,079	$ 604,909

Upcoming Accounting Pronouncement

In June 2017, the Governmental Accounting Standards Board issued 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, 2022.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including September 3, 2021, which is the date the financial statements were available to be issued.

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.

Note 3 - Stewardship, Compliance, and Accountability (Continued)

The Academy formally adopted a General Fund budget by line item and a special revenue funds budget by function for the fiscal year ended June 30, 2021. 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 academies 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 no 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, 2021, the Academy does not have any investments.

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 no 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 $264,767; therefore, bank deposits of $14,767 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 - Capital Assets

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

Governmental Activities

	Balance July 1, 2020	Additions	Disposals	Balance June 30, 2021
Capital assets being depreciated:				
Leasehold improvements	$ 200,000	$ 115,713	$ -	$ 315,713
Furniture and equipment	198,392	-	-	198,392
Subtotal	398,392	115,713	-	514,105
Accumulated depreciation:				
Leasehold improvements	200,000	3,214	-	203,214
Furniture and equipment	178,955	6,010	-	184,965
Subtotal	378,955	9,224	-	388,179
Net governmental activities capital assets	$ 19,437	$ 106,489	$ -	$ 125,926

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

Note 6 - Interfund Receivables and Payables

The composition of interfund balances is as follows:

Interfund balances include amounts due from the General Fund to the Student Activities Fund of $9,422. 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.

Transfers of $20,812 from the General Fund to the Food Service Fund subsidize the food service activities.

Note 7 - 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 and 4 percent increases every two years. The Academy incurred rent expense in connection with its building lease of $536,640 for the year ended June 30, 2021.

Additionally, the Academy has entered into operating lease agreements for office equipment. The lease terms extend through October 30, 2023 and August 1, 2024, with monthly payments of $1,758 and $434, respectively. Office equipment lease expense incurred for the year ended June 30, 2021 was approximately $32,000.

Note 7 - Leases (Continued)

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

Years Ending	Amount
2022	$ 582,739
2023	584,528
2024	590,929
2025	580,430
2026	601,712
Thereafter	653,951
Total	$ 3,594,289

Note 8 - 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 9 - 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 $58,820 for the year ended June 30, 2021. The agreement was renewed during June 2020 through June 30, 2022.

Note 10 - 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.

During the year, the Academy repaid $456,176 of these state aid anticipation notes (the “notes”) and borrowed new notes of $556,000, resulting in an outstanding balance of $99,824 at June 30, 2021. The current note requires monthly payments of $51,495 for principal and interest, bearing interest at 3.45 percent through August 20, 2021. There is no interest accrued for this note as of June 30, 2021. The Academy repaid the note in full subsequent to year end.

In September 2021, the Academy borrowed $319,000 in state aid anticipation notes with an interest rate of 3.3 percent. The notes mature in August 2022 and have similar terms and provisions as the notes outstanding at June 30, 2021.

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 fulfill the required repayments, the Lender has the sole discretion to accelerate the principal and interest repayments.

Note 11 - Michigan Public School Employees' Retirement System

Plan Description

The Academy participates in the Michigan Public School Employees' Retirement System (MPSERS 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 health care benefits through the System. The System provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The System also provides postemployment health care 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 health care plans. That report is available on the web at http://www.michigan.gov/orsschools.

Benefits Provided

Benefit provisions of the defined benefit (DB) pension plan and the postemployment health care 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 health care 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, MPSERS 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.

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 health care recipient. Depending on the member's date of hire, this subsidized portion ranges from 80 percent to the maximum allowed by the statute.

Note 11 - Michigan Public School Employees' Retirement System (Continued)

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 school district'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 health care expenses in retirement. Participants in the PHF are automatically enrolled in a 2 percent employee contribution into their 457 accounts as of their transition date, earning them a 2 percent employer match into a 401(k) account. Members who selected this option stopped paying the 3 percent contribution to retiree health care as of the day before their transition date, and their prior contributions were deposited into their 401(k) accounts.

The Academy's contributions are determined based on employee elections. There are multiple different pension and health care 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 ranges of rates are as follows:

	Pension	OPEB
October 1, 2019 - September 30, 2020	13.39% - 19.59%	7.57% - 8.09%
October 1, 2020 - September 30, 2021	13.39% - 19.78%	7.57% - 8.43%

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.

The Academy's required and actual pension contributions to the plan for the year ended June 30, 2021 were $36,341, which includes 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 $15,338 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, 2021.

The Academy's required and actual OPEB contributions to the plan for the year ended June 30, 2021 were $8,878, which includes the Academy's contributions required for those members with a defined contribution benefit.

Note 11 - Michigan Public School Employees' Retirement System (Continued)

Net Pension Liability

At June 30, 2021, the Academy reported a liability of $408,713 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2019, which used update procedures to roll forward the estimated liability to September 30, 2020. 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, 2020 and 2019, the Academy's proportion was 0.001 and 0.001 percent, respectively, representing a change of 3.46 percent.

Net OPEB Liability

At June 30, 2021, the Academy reported a liability of $64,104 for its proportionate share of the net OPEB liability. The net OPEB liability for fiscal year 2021 was measured as of September 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2019, which used update procedures to roll forward the estimated liability to September 30, 2020. 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, 2020 and 2019, the Academy's proportion was 0.001 and 0.001 percent, respectively, representing a change of 5.15 percent.

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

For 2021, the Academy recognized pension expense of $53,791, inclusive of payments to fund the MPSERS UAAL stabilization rate. At June 30, 2021, the Academy reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 6,245	$ (872)
Changes in assumptions	45,289	-
Net difference between projected and actual earnings on pension plan investments	1,717	-
Changes in proportion and differences between the Academy's contributions and proportionate share of contributions	15,951	(2,519)
The Academy's contributions to the plan subsequent to the measurement date	31,164	-
Total	$ 100,366	$ (3,391)

The $15,338 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 ending June 30, 2022. 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
2022	$ 27,782
2023	21,980
2024	12,099
2025	3,950
Total	$ 65,811

Note 11 - Michigan Public School Employees' Retirement System (Continued)

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, 2021, the Academy recognized OPEB expense of $81.

At June 30, 2021, 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	$ -	$ (47,763)
Changes in assumptions	21,136	-
Net difference between projected and actual earnings on OPEB plan investments	535	-
Changes in proportionate share or difference between amount contributed and proportionate share of contributions	7,172	(480)
Employer contributions to the plan subsequent to the measurement date	6,724	-
Total	$ 35,567	$ (48,243)

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
2022	$ (5,232)
2023	(4,486)
2024	(3,779)
2025	(3,385)
2026	(2,518)
Total	$ (19,400)

Actuarial Assumptions

The total pension liability and total OPEB liability as of September 30, 2020 are based on the results of an actuarial valuation as of September 30, 2019 and rolled forward. The total pension liability and OPEB liability were determined using the following actuarial assumptions:

Actuarial cost method		Entry age normal
Investment rate of return - Pension	6.00% - 6.80%	Net of investment expenses based on the groups
Investment rate of return - OPEB	6.95%	Net of investment expenses based on the groups
Salary increases	2.75% - 11.55%	Including wage inflation of 2.75%
Health care cost trend rate - OPEB	7.0%	Year 1 graded to 3.5% in year 15, 3.0% in year 120
Mortality basis		RP-2014 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 MP-2017 from 2006
Cost of living pension adjustments	3.00%	Annual noncompounded for MIP members

Note 11 - Michigan Public School Employees' Retirement System (Continued)

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.

Significant assumption changes since the prior measurement date, September 30, 2019, for the OPEB plan include a reduction in the health care cost trend rate of 0.50 percentage points, and the actual per person health benefit costs were lower than projected. There were no significant changes in assumptions for the pension actuarial valuation. There were no significant benefit terms changes for the pension or OPEB plans since the prior measurement date of September 30, 2019.

Discount Rate

The discount rate used to measure the total pension liability was 6.00 to 6.80 percent as of September 30, 2020 depending on the plan option. The discount rate used to measure the total OPEB liability was 6.95 percent as of September 30, 2020. 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	25.00 %	5.60 %
Private equity pools	16.00	9.30
International equity pools	15.00	7.40
Fixed-income pools	10.50	0.50
Real estate and infrastructure pools	10.00	4.90
Absolute return pools	9.00	3.20
Real return/opportunistic pools	12.50	6.60
Short-term investment pools	2.00	(0.10)
Total	100.00 %	

Long-term rates of return are net of administrative expense and inflation of 2.1 percent.

Note 11 - 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 Percentage Point Decrease (5.00 - 5.80%)	Current Discount Rate (6.00 - 6.80%)	1 Percentage Point Increase (7.00 - 7.80%)
Net pension liability of the Academy	$ 529,009	$ 408,713	$ 309,014

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 Percentage Point Decrease (5.95%)	Current Discount Rate (6.95%)	1 Percentage Point Increase (7.95%)
Net OPEB liability of the Academy	$ 82,349	$ 64,104	$ 48,743

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate

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

	1 Percentage Point Decrease (6.00%)	Current Discount Rate (7.00%)	1 Percentage Point Increase (8.00%)
Net OPEB liability of the Academy	$ 48,155	$ 64,104	$ 82,244

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, 2021, the Academy had no outstanding contributions to the pension plan and OPEB plan required for the year ended June 30, 2021.

Required Supplemental Information

Required Supplemental Information
Budgetary Comparison Schedule - General Fund

Year Ended June 30, 2021

	Original Budget	Final Budget	Actual	(Under) Over Final Budget
Revenue				
Local sources	$ 25,460	$ 3,000	$ 904	$ (2,096)
State sources	2,621,110	3,256,705	3,232,662	(24,043)
Federal sources	537,334	736,449	610,015	(126,434)
Total revenue	3,183,904	3,996,154	3,843,581	(152,573)
Expenditures				
Current:				
Instruction:				
Basic programs	648,322	997,930	992,328	(5,602)
Added needs	804,771	595,304	560,043	(35,261)
Total instruction	1,453,093	1,593,234	1,552,371	(40,863)
Support services:				
Pupil	242,746	250,536	228,112	(22,424)
Instructional staff	38,238	129,191	119,377	(9,814)
General administration	212,368	228,442	233,591	5,149
School administration	505,498	542,593	543,622	1,029
Business	75,935	75,935	74,124	(1,811)
Operations and maintenance	921,121	1,025,508	935,545	(89,963)
Pupil transportation services	106,729	49,133	49,133	-
Central	83,530	47,419	43,163	(4,256)
Total support services	2,186,165	2,348,757	2,226,667	(122,090)
Community services	5,625	10,096	7,084	(3,012)
Total expenditures	3,644,883	3,952,087	3,786,122	(165,965)
Excess of Revenue (Under) Over Expenditures	(460,979)	44,067	57,459	13,392
Other Financing Uses - Transfer out	(38,957)	(23,274)	(20,812)	2,462
Net Change in Fund Balance	(499,936)	20,793	36,647	15,854
Fund Balance - Beginning of year	594,471	594,471	594,471	-
Fund Balance - End of year	**$ 94,535**	**$ 615,264**	**$ 631,118**	**$ 15,854**

See notes to required supplemental information.

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

Last Seven Plan Years

Plan Years Ended September 30

	2020	2019	2018	2017	2016	2015	2014
Academy's proportion of the net pension liability	0.00119 %	0.00115 %	0.00112 %	0.00108 %	0.00117 %	0.00140 %	0.00175 %
Academy's proportionate share of the net pension liability	$ 408,713	$ 380,848	$ 337,110	$ 279,900	$ 290,835	$ 342,954	$ 384,594
Academy's covered payroll	$ 104,500	$ 98,510	$ 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 payroll	391.11 %	386.61 %	347.95 %	311.00 %	338.79 %	352.27 %	243.34 %
Plan fiduciary net position as a percentage of total pension liability	59.49 %	60.08 %	62.12 %	63.96 %	63.01 %	62.92 %	66.20 %

See notes to required supplemental information.

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

Last Seven Fiscal Years

Years Ended June 30

	2021	2020	2019	2018	2017	2016	2015
Statutorily required contribution	$ 36,341	$ 32,646	$ 29,825	$ 28,195	$ 25,973	$ 28,608	$ 26,149
Contributions in relation to the statutorily required contribution	36,341	32,646	29,825	28,195	25,973	28,608	26,149
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Academy's Covered Payroll	$ 106,680	$ 105,818	$ 95,000	$ 94,231	$ 93,462	$ 97,529	$ 131,342
Contributions as a Percentage of Covered Payroll	34.07 %	30.85 %	31.39 %	29.92 %	27.79 %	29.33 %	19.91 %

See notes to required supplemental information.

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

Last Four Plan Years

Plan Years Ended September 30

	2020	2019	2018	2017
Academy's proportion of the net OPEB liability	0.00120 %	0.00114 %	0.00114 %	0.00108 %
Academy's proportionate share of the net OPEB liability	$ 64,104	$ 81,664	$ 91,002	$ 95,239
Academy's covered payroll	$ 104,500	$ 98,510	$ 96,885	$ 90,000
Academy's proportionate share of the net OPEB liability as a percentage of its covered payroll	61.34 %	82.90 %	93.93 %	105.82 %
Plan fiduciary net position as a percentage of total OPEB liability	59.76 %	48.67 %	43.10 %	36.53 %

See notes to required supplemental information.

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

Last Four Fiscal Years

Years Ended June 30

	2021	2020	2019	2018
Statutorily required contribution	$ 8,878	$ 8,503	$ 7,472	$ 6,813
Contributions in relation to the statutorily required contribution	8,878	8,503	7,472	6,813
Contribution Deficiency (Excess)	**$ -**	**$ -**	**$ -**	**$ -**
Academy's Covered Payroll	$ 106,680	$ 105,818	$ 95,000	$ 94,231
Contributions as a Percentage of Covered Payroll	8.32 %	8.04 %	7.87 %	7.23 %

See notes to required supplemental information.

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

- 2019 - The discount rate used in the September 30, 2018 actuarial valuation decreased by 0.25 percentage points.

- 2018 - The discount rate used in the September 30, 2017 actuarial valuation decreased by 0.45 percentage points. The valuation also includes the impact of an updated experience study for periods from 2012 to 2017.

- 2017 - The discount rate used in the September 30, 2016 actuarial valuation decreased by 0.50 percentage points.

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:

- 2020 - The health care cost trend rate used in the September 30, 2019 actuarial valuation decreased by 0.50 percentage points. This, in addition to actual per person health benefit costs being lower than projected, reduced the plan's total OPEB liability by an additional $1.8 billion in 2020.

- 2019 - The discount rate used in the September 30, 2018 actuarial valuation decreased by 0.20 percentage points. The valuation also includes the impact of an updated experience study for periods from 2012 to 2017. This resulted in a lower than projected per person health benefit cost to reduce the plan's total OPEB liability by an additional $1.4 billion in 2019.

- 2018 - The discount rate used in the September 30, 2017 actuarial valuation decreased by 0.35 percentage points. The valuation also includes the impact of an updated experience study for periods from 2012 to 2017. This resulted in a lower than projected per person health benefit cost to reduce the plan's total OPEB liability by $1.4 billion in 2018.

Other Supplemental Information

Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2021

	Special Revenue Funds		
	Food Service Fund	Student Activities Fund	Total
Assets - Due from other funds	**$ -**	**$ 9,422**	**$ 9,422**
Liabilities	$ -	$ -	$ -
Fund Balances - Committed - Student activities	-	9,422	9,422
Total liabilities and fund balances	**$ -**	**$ 9,422**	**$ 9,422**

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds

Year Ended June 30, 2021

	Special Revenue Funds		
	Food Service Fund	Student Activities Fund	Total
Revenue			
Local sources	$ -	$ 129	$ 129
State sources	3,664	-	3,664
Federal sources	108,736	-	108,736
Total revenue	112,400	129	112,529
Expenditures			
Current:			
Support services	-	1,145	1,145
Food services	133,212	-	133,212
Total expenditures	133,212	1,145	134,357
Excess of Expenditures Over Revenue	(20,812)	(1,016)	(21,828)
Other Financing Sources - Transfers in	20,812	-	20,812
Net Change in Fund Balances	-	(1,016)	(1,016)
Fund Balances - Beginning of year, as restated	-	10,438	10,438
Fund Balances - End of year	**$ -**	**$ 9,422**	**$ 9,422**