
Central Academy Charter School

**Financial Report
with Supplemental Information
June 30, 2021**

Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-7
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position	8
Statement of Activities	9
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	10
Reconciliation of the Balance Sheet to the Statement of Net Position	11
Statement of Revenue, Expenditures, and Changes in Fund Balances	12
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances to the Statement of Activities	13
Notes to Financial Statements	14-27
Required Supplemental Information	28
Budgetary Comparison Schedule - General Fund	29
Budgetary Comparison Schedule - Cafeteria 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
Federal Awards Supplemental Information	Issued Under Separate Cover

Independent Auditor's Report

To the Board of the Academy
Central Academy Charter School

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major funds of Central Academy Charter School (the "Academy") as of and for the year ended June 30, 2021 and the related notes to the financial statements, which collectively comprise Central Academy Charter School'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 and the major funds of Central Academy Charter School 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.

To the Board of the Academy
Central Academy Charter School

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 October 14, 2021 on our consideration of Central Academy Charter School'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 Central Academy Charter School'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 Central Academy Charter School's internal control over financial reporting and compliance.



October 14, 2021

This section of Central Academy Charter School's (the "Academy") annual financial report 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 Central Academy Charter School 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 and 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 funds, the General Fund and the Cafeteria 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 Information for Major Funds

Schedules of Proportionate Share of the Net Pension and Net OPEB Liabilities

Schedules of Pension and OPEB Contributions

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 and liabilities 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, and food services. Unrestricted state aid (foundation allowance revenue) and state and federal grants finance most of these activities.

Central Academy Charter School

Management's Discussion and Analysis (Continued)

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. However, the Academy established another fund, the Cafeteria Fund, to help it control and manage money for food services.

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	\$ 2,948.9	\$ 1,972.1
Capital assets	407.2	483.3
Total assets	3,356.1	2,455.4
Deferred Outflows of Resources	160.2	155.1
Liabilities		
Current liabilities	1,245.5	1,081.2
Noncurrent liabilities	77.3	124.6
Net pension liability	498.6	457.9
Net OPEB liability	79.0	97.9
Total liabilities	1,900.4	1,761.6
Deferred Inflows of Resources	89.0	85.0
Net Position		
Net investment in capital assets	386.3	412.5
Restricted	39.6	39.2
Unrestricted	1,101.0	312.2
Total net position	\$ 1,526.9	\$ 763.9

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 \$1,526,950 at June 30, 2021. Net investment in capital assets totaling \$386,348 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 limits the Academy's ability to use that net position for day-to-day operations. The remaining amount of net position, a surplus of \$1,100,985, was unrestricted.

Central Academy Charter School

Management's Discussion and Analysis (Continued)

The surplus of \$1,100,985 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 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	
	2021	2020
	(in thousands)	
Revenue		
Program revenue - Operating grants	\$ 2,258.2	\$ 1,903.6
General revenue:		
State aid not restricted to specific purposes	4,843.9	4,784.3
Other	(21.6)	55.1
Total revenue	7,080.5	6,743.0
Expenses		
Instruction	2,667.7	2,775.4
Support services	3,191.2	3,175.3
Food services	383.8	477.0
Community services	-	10.9
Debt service	1.5	4.7
Depreciation expense (unallocated)	73.3	87.1
Total expenses	6,317.5	6,530.4
Change in Net Position	763.0	212.6
Net Position - Beginning of year	763.9	551.3
Net Position - End of year	\$ 1,526.9	\$ 763.9

As reported in the statement of activities, the cost of all of our governmental activities this year was approximately \$6.3 million. Certain activities were partially funded from those who benefited from the programs or by other governments and organizations that subsidized certain programs with grants and contributions (approximately \$2.3 million). We paid for the remaining public benefit portion of our governmental activities with approximately \$4.8 million in state foundation allowance and our other revenue (i.e., interest and general entitlements).

The Academy experienced an increase in net position of approximately \$763,000. The primary reasons for the increase were the successful implementation of cost control measures and additional funding as a result of various federal and state programs due to the COVID-19 pandemic.

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 the Academy 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.

Central Academy Charter School

Management's Discussion and Analysis (Continued)

As the Academy completed this year, the governmental funds reported a combined fund balance of approximately \$1,704,000, which is an increase of approximately \$813,000 from last year. The primary reasons for the increase are the successful implementation of cost control measures and additional funding as a result of various federal and state programs due to the COVID-19 pandemic.

The General Fund fund balance is available to fund costs related to allowable school operating purposes. The Cafeteria Fund fund balance is available to fund costs related to allowable food services.

General Fund 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. Schedules showing the Academy's original and final budget amounts compared with amounts actually paid and received are provided in the required supplemental information of these financial statements.

There were no significant revisions made to the 2020-2021 General Fund original budget.

There were no significant variances between the final budget and actual amounts.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2021, the Academy had \$407,181 invested in a broad range of capital assets, including leasehold improvements, computers, and furniture and equipment. This amount represents a net decrease (including additions, disposals, and depreciation) of \$76,168 from last year.

	<u>2021</u>	<u>2020</u>
Leasehold improvements	\$ 2,040,345	\$ 2,005,345
Furniture and equipment	607,685	607,685
Computers	<u>22,786</u>	<u>98,709</u>
Total capital assets	2,670,816	2,711,739
Less accumulated depreciation	<u>2,263,635</u>	<u>2,228,390</u>
Total capital assets - Net of accumulated depreciation	<u><u>\$ 407,181</u></u>	<u><u>\$ 483,349</u></u>

This year's additions of \$35,000 included leasehold improvements. 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 Academy had a note payable for capital improvements outstanding totaling \$20,833.

Other obligations include compensated absences. We present more detailed information about our noncurrent liabilities in the notes to the financial statements.

Central Academy Charter School

Management's Discussion and Analysis (Continued)

Economic Factors and Next Year's Budgets and Rates

Our elected officials and administration consider 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 blended count for the 2021-2022 fiscal year is 10 and 90 percent of the February 2021 and October 2021 student counts, respectively. The 2021-2022 budget was adopted based on an estimate of students who will enroll in September 2021. Approximately 72 percent of total General Fund revenue is from the foundation allowance. 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 close to the estimates used in creating the 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.

Central Academy Charter School

Statement of Net Position

June 30, 2021

	<u>Governmental Activities</u>
Assets	
Cash (Note 4)	\$ 1,419,408
Due from other governmental units	1,243,590
Prepaid expenses and other assets (Note 9)	285,939
Capital assets - Net (Note 5)	<u>407,181</u>
Total assets	3,356,118
Deferred Outflows of Resources	
Deferred pension costs (Note 12)	117,740
Deferred OPEB costs (Note 12)	<u>42,456</u>
Total deferred outflows of resources	160,196
Liabilities	
Accounts payable	1,022,746
State aid anticipation note (Note 13)	178,463
Unearned revenue (Note 11)	44,181
Noncurrent liabilities:	
Due within one year (Note 10)	77,326
Net pension liability (Note 12)	498,589
Net OPEB liability (Note 12)	<u>79,022</u>
Total liabilities	1,900,327
Deferred Inflows of Resources	
Revenue in support of pension contributions made subsequent to the measurement date (Note 12)	18,414
Deferred pension cost reductions (Note 12)	8,527
Deferred OPEB cost reductions (Note 12)	<u>62,096</u>
Total deferred inflows of resources	<u>89,037</u>
Net Position	
Net investment in capital assets	386,348
Restricted - Food services	39,617
Unrestricted	<u>1,100,985</u>
Total net position	<u>\$ 1,526,950</u>

Central Academy Charter School

Statement of Activities

Year Ended June 30, 2021

	Program Revenue	Governmental Activities
Expenses	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Functions/Programs		
Primary government - Governmental activities:		
Instruction	\$ 2,667,655	\$ 1,443,852
Support services	3,191,241	432,030
Food services	383,766	382,285
Interest	1,533	-
Depreciation expense (unallocated)	73,342	-
	<u>\$ 6,317,537</u>	<u>\$ 2,258,167</u>
Total primary government		(4,059,370)
General revenue:		
State aid not restricted to specific purposes		4,843,892
Contributions not restricted to specific purposes		5,029
Loss on sale of capital assets		(37,826)
Other		11,282
	Total general revenue	<u>4,822,377</u>
	Change in Net Position	763,007
	Net Position - Beginning of year	<u>763,943</u>
	Net Position - End of year	<u>\$ 1,526,950</u>

Central Academy Charter School

Governmental Funds Balance Sheet

June 30, 2021

	General Fund	Cafeteria Fund	Total Governmental Funds
Assets			
Cash (Note 4)	\$ 1,229,070	\$ 190,338	\$ 1,419,408
Due from other governmental units	1,243,590	-	1,243,590
Due from other funds (Note 6)	11,250	44,486	55,736
Prepaid expenses and other assets (Note 9)	265,939	20,000	285,939
Total assets	\$ 2,749,849	\$ 254,824	\$ 3,004,673
Liabilities			
Accounts payable	\$ 818,789	\$ 203,957	\$ 1,022,746
Due to other funds (Note 6)	44,486	11,250	55,736
State aid anticipation note (Note 13)	178,463	-	178,463
Unearned revenue (Note 11)	44,181	-	44,181
Total liabilities	1,085,919	215,207	1,301,126
Fund Balances			
Nonspendable - Prepaid assets	265,939	20,000	285,939
Restricted - Food services	-	19,617	19,617
Unassigned	1,397,991	-	1,397,991
Total fund balances	1,663,930	39,617	1,703,547
Total liabilities and fund balances	\$ 2,749,849	\$ 254,824	\$ 3,004,673

Central Academy Charter School

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

June 30, 2021

Fund Balances Reported in Governmental Funds	\$ 1,703,547
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	2,670,816
Accumulated depreciation	<u>(2,263,635)</u>
Net capital assets used in governmental activities	407,181
Notes payable are not due and payable in the current period and are not reported in the funds	(20,833)
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:	
Employee compensated absences	(56,493)
Net pension liability and related deferred inflows and outflows	(389,376)
Net OPEB liability and related deferred inflows and outflows	(98,662)
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>(18,414)</u>
Net Position of Governmental Activities	<u><u>\$ 1,526,950</u></u>

Central Academy Charter School

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

Year Ended June 30, 2021

	General Fund	Cafeteria Fund	Total Governmental Funds
Revenue			
Local sources	\$ 11,282	\$ 5,029	\$ 16,311
State sources	5,500,478	22,243	5,522,721
Federal sources	1,054,916	360,042	1,414,958
Intergovernmental	167,911	-	167,911
Total revenue	6,734,587	387,314	7,121,901
Expenditures			
Current:			
Instruction	2,653,249	-	2,653,249
Support services	3,186,383	-	3,186,383
Food services	-	383,099	383,099
Debt service:			
Principal (Note 10)	50,000	-	50,000
Interest	1,533	-	1,533
Capital outlay	35,000	-	35,000
Total expenditures	5,926,165	383,099	6,309,264
Excess of Revenue Over Expenditures	808,422	4,215	812,637
Other Financing Sources (Uses)			
Transfers in (Note 6)	3,750	-	3,750
Transfers out (Note 6)	-	(3,750)	(3,750)
Total other financing sources (uses)	3,750	(3,750)	-
Net Change in Fund Balances	812,172	465	812,637
Fund Balances - Beginning of year	851,758	39,152	890,910
Fund Balances - End of year	\$ 1,663,930	\$ 39,617	\$ 1,703,547

Central Academy Charter School

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	\$ 812,637
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	35,000
Depreciation expense	(73,342)
Net book value of assets disposed of	(37,826)
Revenue in support of pension contributions made subsequent to the measurement date	(3,531)
Repayment of note principal is an expenditure in the governmental funds but not in the statement of activities (where it reduces long-term debt)	50,000
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	(19,931)
Change in Net Position of Governmental Activities	<u>\$ 763,007</u>

June 30, 2021

Note 1 - Nature of Business

Central Academy Charter School (the "Academy") is an academy 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 (GASB). 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.

In July 1996, the Academy entered into a contract with Central Michigan University to charter a public school academy. The current contract, which is effective through June 30, 2025, 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. The total administrative fees for the year ended June 30, 2021 to the Central Michigan University board of trustees were approximately \$144,000, of which approximately \$26,000 was payable at year end.

The Academy has a contract with a related party (an entity owned by the primary founder of the Academy) to provide all functions relating to the provision of educational services and the management and operation of the Academy. In addition, the Academy subcontracts substantially all of its employees from this management company. The agreement, which is effective through June 30, 2025, provides that the Academy will pay the management company a fee of 10 percent of revenue, excluding State of Michigan At-Risk categorical funding, as administrative fees. The total fee expense for the year ended June 30, 2021 was approximately \$668,000. As of June 30, 2021, the Academy owed this related party approximately \$488,000 in management fees and approximately \$317,000 in other expenses. These amounts are included in accounts payable at June 30, 2021.

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. The government-wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. 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) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Unrestricted intergovernmental receipts and other items not properly included among program revenue are reported instead as general revenue.

Note 2 - Significant Accounting Policies (Continued)

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

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 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.

Governmental Funds

Governmental funds include all activities that provide general governmental services that are not business-type activities. Governmental funds can include the General Fund, special revenue funds, debt service funds, capital project funds, and permanent funds. The Academy reports the following funds as major governmental funds:

- The General Fund 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.
- The Cafeteria Fund is used to account for the proceeds of specific revenue sources that are restricted to expenditure for food services. The majority of Cafeteria Fund revenue comes from federal and state grants. Any operating deficit generated by this activity 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.

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

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.

All trade receivables, primarily intergovernmental receivables, are shown net of an allowance for uncollectible amounts. The Academy considers all receivables to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

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.

Capital Assets

Capital assets, which include leasehold improvements, buses, furniture and equipment, and computers, 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 one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Costs of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized. The Academy does not have infrastructure-type assets.

Capital assets are depreciated using the straight-line method over the following useful lives:

	<u>Depreciable Life - Years</u>
Leasehold improvements	Lesser of 7-15 years or lease term
Furniture and equipment	5-7
Computers	3-5

Long-term Obligations

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

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 a future period and will not be recognized as an outflow of resources (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 a future period 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 and deferred pension and OPEB plan cost reductions.

Note 2 - Significant Accounting Policies (Continued)

Net Position

Net position of the Academy is classified in three components. Net investment in capital assets - net of related debt consists of capital assets net of accumulated depreciation and is reduced by the current balances of any outstanding borrowings used to finance the purchase 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.

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 the Academy is the highest level of decision-making authority for the Academy that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the Academy for specific purposes but do not meet the criteria to be classified as committed. The Board of the Academy may also 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 exist only 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.

The Academy does not have any committed or assigned fund balance as of June 30, 2021.

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 (MPERS) and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. MPERS 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.

Compensated Absences (Vacation and Sick Leave)

It is the Academy's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. Sick pay is accrued for the estimated amount that the Academy will pay upon employment termination; vacation pay is accrued when incurred. Both of these are reported in the government-wide financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

Note 2 - Significant Accounting Policies (Continued)

Comparative Data/Reclassifications

Comparative data is not included in the Academy's financial statements.

Upcoming Accounting Pronouncement

In June 2017, the GASB 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 were originally effective for the Academy's financial statements for the year ended June 30, 2021 but were extended to the Academy's financial statements for the year ended June 30, 2022 with the issuance of GASB Statement No. 95, *Postponement of the Effective Date of Certain Authoritative Guidance*.

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 the Cafeteria Fund. All annual appropriations lapse at fiscal year end. The budget document presents information by fund and function. 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. The Academy adjusted budgeted amounts during the year in response to actual and projected activity.

The Academy budgets and reports capital outlay expenditures, if any, within the related function in the budgetary comparison schedules - General Fund and Cafeteria Fund. In accordance with generally accepted accounting principles, the Academy reports capital outlay separately in the statement of revenue, expenditures, and changes in fund balances.

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

State statutes and the Academy's cash management 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.

June 30, 2021

Note 4 - Deposits (Continued)

The Academy has designated one bank for the deposit of its funds. The Academy's deposits consist solely of checking accounts at the local bank; therefore, the Academy has not adopted a formal investment policy.

The Academy's cash and investments are subject to custodial credit 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. At year end, the Academy's deposit balance of \$1,421,746 had \$1,171,746 of bank deposits that was uninsured and 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 and Adjustments	Balance June 30, 2021
Capital assets being depreciated:				
Computers	\$ 98,709	\$ -	\$ (75,923)	\$ 22,786
Furniture and equipment	607,685	-	-	607,685
Leasehold improvements	2,005,345	35,000	-	2,040,345
Subtotal	2,711,739	35,000	(75,923)	2,670,816
Accumulated depreciation:				
Computers	54,883	2,057	(38,097)	18,843
Furniture and equipment	604,983	2,702	-	607,685
Leasehold improvements	1,568,524	68,583	-	1,637,107
Subtotal	2,228,390	73,342	(38,097)	2,263,635
Net governmental activities capital assets	<u>\$ 483,349</u>	<u>\$ (38,342)</u>	<u>\$ (37,826)</u>	<u>\$ 407,181</u>

Depreciation expense was not charged to activities as the Academy's assets benefit multiple activities and allocation is impractical.

Note 6 - Interfund Receivables, Payables, and Transfers

Interfund 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.

The transfer from the Cafeteria Fund to the General Fund is the result of indirect costs being charged to the Cafeteria Fund by the General Fund.

Note 7 - Lease Agreements

Operating Leases

The Academy currently has two operating lease agreements with a related party (an entity owned by the primary founder of the Academy) for its building and leasehold improvements. In addition, the Academy is responsible for property taxes, insurance, repairs, and maintenance related to the facilities. The Academy incurred rent expense in connection with these leases of approximately \$712,000 for the year ended June 30, 2021. The first lease requires monthly payments of \$39,037 plus an amount determined by the annual increase in the Consumer Price Index (CPI) through July 2029. The second lease requires monthly payments of \$19,415 plus an amount determined by the annual increase in the Consumer Price Index through July 2029.

The future minimum lease payments for related party leases have been estimated using an annual CPI of 0.65 percent and are as follows:

Years Ending	Amount
2022	\$ 750,614
2023	791,072
2024	833,711
2025	878,648
2026	926,007
Thereafter	<u>3,088,398</u>
Total	<u>\$ 7,268,450</u>

The Academy has an operating lease with a third party for the usage of buses. The lease requires monthly payments of \$8,120 through June 30, 2024. The Academy incurred rent expense in connection to this lease of approximately \$40,600 for the year ended June 30, 2021. The future minimum lease payments under this lease are approximately \$97,400 per year through the year ending June 30, 2024.

Note 8 - Risk Management

The Academy is exposed to various risks of loss related to general liabilities. The Academy has purchased commercial insurance for all claims. There have been no significant reductions in insurance coverage during fiscal year 2021. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage since inception. Employee benefit-related risks attributable to staff employed by the management company are insured by the management company.

Note 9 - Prepaid Management Company Expenditures

In a previous year, the management company of the Academy requested an advance from the General Fund equal to approximately one month of the fund's expenses. The amount of approximately \$250,000 was authorized by the Board of the Academy and transferred to the Academy's account with the management company for payment of board-approved academy expenses in the subsequent month. In a previous year, the management company of the Academy requested an advance from the Cafeteria Fund equal to approximately one month of the fund's expenses. The amount of \$20,000 was authorized by the Board of the Academy and transferred to the Academy's account with the management company for payment of board-approved academy expenses incurred in the subsequent month.

June 30, 2021

Note 10 - Long-term Debt

Long-term debt activity can be summarized as follows:

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Direct borrowings - Note payable	\$ 70,833	\$ -	\$ (50,000)	\$ 20,833	\$ 20,833
Compensated absences	53,707	2,786	-	56,493	56,493
Total governmental activities long-term debt	\$ 124,540	\$ 2,786	\$ (50,000)	\$ 77,326	\$ 77,326

As of June 30, 2021, notes consist of the following:

	Original Amount	Due Date	Interest Rate	Interest Remaining to Maturity	Principal Remaining to Maturity
Governmental activities - Note payable	\$ 250,000	10/01/2021	Varies	\$ 220	\$ 20,833

Other Long-term Liabilities

Compensated absences attributable to the governmental activities will be liquidated primarily by the General Fund.

Note 11 - Receivables and 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 June 30, 2021, the Academy had no unavailable revenue and \$44,181 of unearned revenue primarily related to grant and categorical aid payments received prior to meeting all eligibility requirements.

Note 12 - Michigan Public School Employees' Retirement System

Plan Description

The Academy participates in the Michigan Public School Employees' Retirement System (the "System"), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers one employee of the Academy. That Academy employee also receives 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.

June 30, 2021

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

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.

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 participants 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.

June 30, 2021

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

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 \$43,290, 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 \$18,414 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 \$10,544, which include the Academy's contributions required for those members with a defined contribution benefit.

Net Pension Liability

At June 30, 2021, the Academy reported a liability of \$498,589 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 percent.

Net OPEB Liability

At June 30, 2021, the Academy reported a liability of \$79,022 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 percent.

June 30, 2021

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

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

For 2021, the Academy recognized pension expense of \$73,841, 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	\$ 7,618	\$ (1,064)
Changes in assumptions	55,248	-
Net difference between projected and actual earnings on pension plan investments	2,095	-
Changes in proportion and differences between the Academy's contributions and proportionate share of contributions	15,620	(7,463)
The Academy's contributions to the plan subsequent to the measurement date	37,159	-
	<u>117,740</u>	<u>(8,527)</u>
Total	<u>\$ 117,740</u>	<u>\$ (8,527)</u>

The \$18,414 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	\$ 30,967
2023	21,900
2024	13,832
2025	5,355
Total	<u>\$ 72,054</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, 2021, the Academy recognized OPEB recovery of \$(1,721).

June 30, 2021

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

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	\$ -	\$ (58,879)
Changes in assumptions	26,055	-
Net difference between projected and actual earnings on OPEB plan investments	660	-
Changes in proportionate share or difference between amount contributed and proportionate share of contributions	7,752	(3,217)
Employer contributions to the plan subsequent to the measurement date	7,989	-
Total	<u>\$ 42,456</u>	<u>\$ (62,096)</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
2022	\$ (8,271)
2023	(7,350)
2024	(5,615)
2025	(3,782)
2026	(2,611)
Total	<u>\$ (27,629)</u>

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		Year 1 graded to 3.50% year 15, 3.00% year 120
	7.00%	
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

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.

June 30, 2021

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

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 Academy 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.

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	\$ 645,339	\$ 498,589	\$ 376,966

June 30, 2021

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

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	\$ 101,513	\$ 79,022	\$ 60,087

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's 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 Rate (7.00%)	1 Percentage Point Increase (8.00%)
Net OPEB liability of the Academy	\$ 59,362	\$ 79,022	\$ 101,384

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 reported a payable of \$3,039 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2021. There was no payable related to the OPEB plan at June 30, 2021.

Note 13 - State Aid Anticipation Note

State Aid Anticipation Note

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 borrowed \$994,000 on a state aid anticipation note, which has an outstanding balance of \$178,463 at June 30, 2021. The current note bears interest at 3.45 percent and is due on August 20, 2021. At June 30, 2021, the accrued interest on the note was insignificant. Subsequent to year end, the outstanding principal and interest were paid in full on August 20, 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.

Required Supplemental Information

Central Academy Charter School

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	\$ 175,000	\$ 55,000	\$ 11,282	\$ (43,718)
State sources	5,424,698	5,568,962	5,500,478	(68,484)
Federal sources	760,780	851,699	1,054,916	203,217
Intergovernmental	149,255	149,256	167,911	18,655
Total revenue	6,509,733	6,624,917	6,734,587	109,670
Expenditures				
Current:				
Instruction:				
Basic programs	2,462,226	2,320,670	2,068,845	(251,825)
Added needs	685,616	679,009	584,404	(94,605)
Total instruction	3,147,842	2,999,679	2,653,249	(346,430)
Support services:				
Pupil	129,000	157,790	128,997	(28,793)
Instructional staff	500,000	610,500	507,922	(102,578)
General administration	349,203	445,155	418,432	(26,723)
School administration	183,993	215,275	195,504	(19,771)
Business	612,486	639,149	649,123	9,974
Operations and maintenance	1,177,246	1,221,725	1,090,036	(131,689)
Pupil transportation services	231,903	65,600	59,270	(6,330)
Central	152,952	160,500	137,099	(23,401)
Total support services	3,336,783	3,515,694	3,186,383	(329,311)
Community services	5,000	5,000	-	(5,000)
Capital outlay	-	35,000	35,000	-
Debt service:				
Principal	55,400	55,500	50,000	(5,500)
Interest	-	-	1,533	1,533
Total expenditures	6,545,025	6,610,873	5,926,165	(684,708)
Excess of Revenue (Under) Over Expenditures	(35,292)	14,044	808,422	794,378
Other Financing Sources - Transfers in	3,750	3,750	3,750	-
Net Change in Fund Balance	(31,542)	17,794	812,172	794,378
Fund Balance - Beginning of year	851,758	851,758	851,758	-
Fund Balance - End of year	<u>\$ 820,216</u>	<u>\$ 869,552</u>	<u>\$ 1,663,930</u>	<u>\$ 794,378</u>

Central Academy Charter School

Required Supplemental Information Budgetary Comparison Schedule Cafeteria Fund

Year Ended June 30, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
Revenue				
Local sources	\$ -	\$ -	\$ 5,029	\$ 5,029
State sources	7,090	7,090	22,243	15,153
Federal sources	471,000	471,000	360,042	(110,958)
Total revenue	478,090	478,090	387,314	(90,776)
Expenditures - Food services	474,340	474,340	383,099	(91,241)
Excess of Revenue Over Expenditures	3,750	3,750	4,215	465
Other Financing Uses - Transfers out	(3,750)	(3,750)	(3,750)	-
Net Change in Fund Balance	-	-	465	465
Fund Balance - Beginning of year	39,152	39,152	39,152	-
Fund Balance - End of year	<u>\$ 39,152</u>	<u>\$ 39,152</u>	<u>\$ 39,617</u>	<u>\$ 465</u>

Central Academy Charter School

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	0.00145 %	0.00138 %	0.00142 %	0.00144 %	0.00141 %	0.00146 %	0.14300 %
Academy's proportionate share of the net pension liability	\$ 498,589	\$ 457,930	\$ 426,986	\$ 372,764	\$ 351,192	\$ 356,891	\$ 315,994
Academy's covered payroll	\$ 128,821	\$ 118,103	\$ 116,978	\$ 121,979	\$ 115,850	\$ 120,887	\$ 121,485
Academy's proportionate share of the net pension liability as a percentage of its covered payroll	387.04 %	387.74 %	365.01 %	305.60 %	303.14 %	295.23 %	260.11 %
Plan fiduciary net position as a percentage of total pension liability	59.49 %	60.08 %	62.12 %	63.96 %	63.01 %	62.92 %	66.15 %

Central Academy Charter School

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	\$ 43,290	\$ 37,757	\$ 36,427	\$ 36,457	\$ 33,494	\$ 32,272	\$ 25,744
Contributions in relation to the statutorily required contribution	43,290	37,757	36,427	36,457	33,494	32,272	25,744
Contribution Excess	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Academy's Covered Payroll	\$ 126,356	\$ 119,632	\$ 117,000	\$ 118,048	\$ 120,709	\$ 115,850	\$ 120,887
Contributions as a Percentage of Covered Payroll	34.26 %	31.56 %	31.13 %	30.88 %	27.75 %	27.86 %	21.32 %

Central Academy Charter School

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			
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Academy's proportion of the net OPEB liability	0.00148 %	0.00136 %	0.00138 %	0.00143 %
Academy's proportionate share of the net OPEB liability	\$ 79,022	\$ 97,908	\$ 109,875	\$ 126,565
Academy's covered payroll	\$ 128,821	\$ 118,103	\$ 116,978	\$ 121,979
Academy's proportionate share of the net OPEB liability as a percentage of its covered payroll	61.34 %	82.90 %	93.93 %	103.76 %
Plan fiduciary net position as a percentage of total OPEB liability	59.76 %	48.67 %	43.10 %	36.53 %

Central Academy Charter School

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

**Last Four Fiscal Years
Years Ended June 30**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contribution	\$ 10,544	\$ 9,630	\$ 8,813	\$ 8,249
Contributions in relation to the statutorily required contribution	<u>10,544</u>	<u>9,630</u>	<u>8,813</u>	<u>8,249</u>
Contribution Excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Academy's Covered Payroll	\$ 126,356	\$ 119,632	\$ 117,000	\$ 118,048
Contributions as a Percentage of Covered Payroll	8.34 %	8.05 %	7.53 %	6.99 %

June 30, 2021

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 changes of benefit 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 costs 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 costs to reduce the plan's total OPEB liability by \$1.4 billion in 2018.