Grand Rapids Child Discovery Center

Financial Report
with Supplemental Information
June 30, 2021

Contents

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Independent Auditor's Report

To the Board of Directors
Grand Rapids Child Discovery Center

Report on the Financial Statements

We have audited the accompanying basic financial statements of the governmental activities and the major fund of Grand Rapids Child Discovery Center (the "School") as of and for the year ended June 30, 2021 and the related notes to the financial statements, which collectively comprise Grand Rapids Child Discovery Center's 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 basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and major fund of Grand Rapids Child Discovery Center as of June 30, 2021 and the changes in its financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Directors
Grand Rapids Child Discovery Center

Other Matter

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension and OPEB system schedules of funding progress and employer contributions, and the major fund budgetary comparison schedule 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 September 8, 2021 on our consideration of Grand Rapids Child Discovery Center'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 Grand Rapids Child Discovery Center'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 Grand Rapids Child Discovery Center's internal control over financial reporting and compliance.

Plante & Moran, PLLC

September 8, 2021

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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
Grand Rapids Child Discovery Center

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 and the major fund of Grand Rapids Child Discovery Center (the "School") as of and for the year ended June 30, 2021 and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated September 8, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School'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 School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School'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 School'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 School'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.*

To Management and the Board of Directors
Grand Rapids Child Discovery Center

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 School'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 School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plante & Moran, PLLC

September 8, 2021

This section of the annual financial report for Grand Rapids Child Discovery Center (the "School") presents our discussion and analysis of the School's financial performance during the year ended June 30, 2021. Please read it in conjunction with the School'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 Grand Rapids Child Discovery Center financially as a whole. The government-wide financial statements provide information about the activities of the whole School, presenting both an aggregate view of the School'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 School's operations in more detail than the government-wide financial statements by providing information about the School's most significant fund, the General Fund, the only fund held by the School. 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 the School's Proportionate Share of the Net Pension Liability

Schedule of Pension Contributions

Schedule of the School's Proportionate Share of the Net OPEB Liability

Schedule of OPEB Contributions

Reporting the School as a Whole - Government-wide Financial Statements

One of the most important questions asked about the School is, "As a whole, what is the School'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 School's financial statements, report information on the School 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 School'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 School's financial health or financial position. Over time, increases or decreases in the School'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 School's operating results. However, the School'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 School.

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

Reporting the School's Funds - Governmental Fund Financial Statements

All of the School's services are reported in the General Fund, which is a governmental fund. 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 School 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 School'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 School as a Whole

Recall that the statement of net position provides the perspective of the School as a whole. The following table provides a summary of the School's net position as of June 30, 2021 and 2020:

	Governmental Activities	
	2021	2020
	(in thousands)	
Assets		
Current and other assets	$ 888.6	$ 942.0
Capital assets	720.7	733.2
Total assets	1,609.3	1,675.2
Deferred Outflows of Resources	1,425.3	1,688.2
Liabilities		
Current liabilities	283.6	258.3
Noncurrent liabilities	39.9	414.3
Net pension liability	4,651.0	4,523.3
Net OPEB liability	756.5	997.2
Total liabilities	5,731.0	6,193.1
Deferred Inflows of Resources	819.4	744.8
Net Position (Deficit)		
Net investment in capital assets	708.4	338.8
Unrestricted	(4,224.2)	(3,913.3)
Total net position (deficit)	**$ (3,515.8)**	**$ (3,574.5)**

The above analysis focuses on net position. The change in net position of the School's governmental activities is discussed below. The School's net position was $(3,515.8) thousand at June 30, 2021. Net investment in capital assets totaling $708.4 thousand, compares the original cost, less depreciation of the School's capital assets, to long-term debt used to finance the acquisition of those assets. The remaining amount of net position ($(4,224.2) thousand) was unrestricted.

The $(4,224.2) thousand deficit in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. The deficit balance is primarily the result of the requirement to report the School's proportionate share of the net pension and OPEB liabilities on the statement of net position. The unrestricted net position balance enables the School to meet working capital and cash flow requirements and 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 School 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	$ 764.0	$ 588.7
General revenue:		
State aid not restricted to specific purposes	2,235.6	2,195.8
Other	4.7	16.0
Total revenue	3,004.3	2,800.5
Expenses		
Instruction	1,946.7	2,117.3
Support services	943.8	856.2
Food services	-	4.3
Debt service	12.9	18.0
Depreciation expense (unallocated)	42.2	38.2
Total expenses	2,945.6	3,034.0
Change in Net Position	58.7	(233.5)
Net Position (Deficit) - Beginning of year	(3,574.5)	(3,341.0)
Net Position (Deficit) - End of year	**$ (3,515.8)**	**$ (3,574.5)**

As reported in the statement of activities, the cost of all of our governmental activities this year was $2,945.6 thousand. 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 ($764.0 thousand). We paid for the remaining public benefit portion of our governmental activities with $2,235.6 thousand in state foundation allowance and with our other revenue (i.e., interest and general entitlements).

The School experienced an increase in net position of $58.7 thousand. Key reasons for the change in net position were the cumulative effect of accounting for the pension benefits, additional funding sources related to COVID-19 relief funding, and budget and resource planning.

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

The School's Funds

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

As the School completed this year, the governmental funds reported a combined fund balance of $568.3 thousand, which is an decrease of $70.3 thousand from last year. The primary reasons for the decrease are as follows:

Revenue Changes

- Increase in total revenue of $261.1 thousand, which includes the following:
  - Decrease in local source revenue of $29.1 thousand
  - Increase in state source revenue of $109.5 thousand
  - Increase in federal source revenue of $139.0 thousand, which includes $133.6 thousand of coronavirus relief and ESSER funding
  - Increase in interdistrict source revenue of $41.7 thousand

Expenditure Changes

- Increase in total expenses of $438.5 thousand, which includes the following:
  - Decrease in overall wages and benefits of $33.2 thousand due to reduction of additional staff hours, substitute teacher positions, and specialist positions
  - Increase in supporting services of $133.1 thousand due to increased federal funding available for expenditure. This includes an addition to the following expenses:
    - $41.0 thousand increase in professional support services, including technology and business management services
    - $82.5 thousand increase in capital outlay expenditures based on building improvements, technology, and equipment purchases
  - Increase in debt services of $343.6 thousand due to commercial loan mortgage pay off

General Fund Budgetary Highlights

Over the course of the year, the School 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 School's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements.

Various revisions were made to the 2020-2021 General Fund original budget and are explained in detail below.

Budgeted revenue was increased by $532.7 thousand. The primary reason for the increase is as follows:

- Increase of $141.2 thousand in federal source revenue related to Coronavirus Relief Funds and ESF funding
- Increase of $392.9 thousand in state source revenue due to additional state aid
- Decrease of $47.2 thousand in local source revenue as a result of reduction of estimate in gifts and local grants
- Increase of $45.8 thousand in interdistrict source revenue

Budgeted expenditures were increased $410.6 thousand. The primary reasons for the increase are as follows:

- Increase of $15.5 thousand for basic programming expenses, including supplies and materials, and increase of $85.1 thousand in capital outlay due to increase in COVID-19 funding available

- Decrease of $44.2 thousand in wages and benefits related to staff transitions and support staff and specialist reductions
- Increase of $382.5 thousand in debt service due to commercial mortgage loan pay off

As the School completed this year, there was a positive net variance of $15.3 thousand between the final budget and actual amounts. The primary reasons for the increase are as follows:

- Increase of $10.0 thousand for DC Forfeiture Credit under state source revenue
- Increase of $7.7 thousand of wages and benefits mainly due to increase in MPSERS and health insurance costs
- Decrease of $37.9 thousand in purchased services, including professional support services through GRPS
- Increase of $4.5 thousand in capital outlay related to building improvements and furniture, originally earmarked to be spent in FY 2022

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2021 and 2020, the School had $720.7 thousand and $733.2 thousand, respectively, invested in a broad range of capital assets, including land, buildings, furniture, and equipment. This represents a net decrease (including additions, disposals, and depreciation) of approximately $12.5 thousand from 2020 to 2021.

	2021	2020
Land	$ 100,000	$ 100,000
Buildings and improvements	519,255	543,813
Furniture and equipment	24,972	18,558
Land improvements	76,512	70,861
Total capital assets - Net of accumulated depreciation	**$ 720,739**	**$ 733,232**

This year's additions of $29.7 thousand included technology, signage, and building improvements. Due to additional COVID-19-related funding anticipated, we expect capital projects to increase 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 School had $39.9 thousand in long-term liabilities outstanding versus $414.3 thousand in the previous year.

Those liabilities consisted of the following:

	2021	2020
Commercial mortgage	$ -	$ 372,941
Capital lease	12,363	21,508
Compensated absences	27,557	19,875
Total	**$ 39,920**	**$ 414,324**

We present more detailed information about our long-term liabilities in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

Our board of directors and administration consider many factors when setting the School’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 267 students expected to enroll in September 2021. Approximately 73.1 percent of total General Fund revenue is from the foundation allowance. Under state law, the School cannot access additional property tax revenue for general operations. As a result, school funding is heavily dependent on the State’s ability to fund local school operations. The conservative approach was taken when budgeting for the School’s 2021-2022 fiscal year, as some students may opt to homeschool with no virtual option available at this time. The current proposed state budget includes an estimated $500 increase in per student funding, but there are no guarantees. To be conservative, estimates are based on same number of students from 2020-2021 fiscal year, with no additional increase per student budgeted. Once the final student count and related per pupil funding are validated, state law requires the School to amend the budget if actual school resources are not sufficient to fund original appropriations. Since the School'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 School. The State periodically holds a Revenue Estimating Conference to estimate revenue. Based on the results of the most recent conference, the State estimates a FY 2021-2022 foundation allowance of $8,700, which is an increase of $589 per pupil.

Statement of Net Position

June 30, 2021

		Governmental Activities
Assets		
Cash (Note 4)	$	316,696
Receivables (Note 5)		529,574
Prepaid expenses		42,240
Capital assets - Net (Note 7)		720,739
Total assets		1,609,249
Deferred Outflows of Resources		
Deferred pension costs (Note 11)		1,029,387
Deferred OPEB costs (Note 11)		395,944
Total deferred outflows of resources		1,425,331
Liabilities		
Accounts payable		28,946
Accrued liabilities - Salaries and wages		254,631
Noncurrent liabilities:		
Due within one year (Note 8)		5,495
Due in more than one year (Note 8)		34,425
Net pension liability (Note 11)		4,651,024
Net OPEB liability (Note 11)		756,474
Total liabilities		5,730,995
Deferred Inflows of Resources		
Revenue in support of pension contributions made subsequent to the report date (Note 11)		188,031
Deferred pension cost reductions (Note 11)		41,521
Deferred OPEB cost reductions (Note 11)		589,849
Total deferred inflows of resources		819,401
Net Position (Deficit)		
Net investment in capital assets		708,376
Unrestricted		(4,224,192)
Total net position (deficit)	**$**	**(3,515,816)**

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	$ 1,946,677	$ -	$ 743,445	$ (1,203,232)
Support services	943,821	-	20,605	(923,216)
Interest	12,897	-	-	(12,897)
Depreciation expense (unallocated) (Note 7)	42,212	-	-	(42,212)
Total primary government	**$ 2,945,607**	**$ -**	**$ 764,050**	(2,181,557)
General revenue:				
State aid not restricted to specific purposes				2,235,554
Interest and investment earnings				2
Other				4,735
Total general revenue				2,240,291
Change in Net Position				58,734
Net Position (Deficit) - Beginning of year				(3,574,550)
Net Position (Deficit) - End of year				**$ (3,515,816)**

Governmental Fund Balance Sheet

June 30, 2021

	General Fund
Assets	
Cash (Note 4)	$ 316,696
Receivables (Note 5)	529,574
Prepaid expenses	42,240
Total assets	**$ 888,510**
Liabilities	
Accounts payable	$ 28,946
Accrued liabilities - Salaries and wages	254,631
Total liabilities	283,577
Deferred Inflows of Resources - Unavailable revenue (Note 6)	36,632
Total liabilities and deferred inflows of resources	320,209
Fund Balance	
Nonspendable - Prepaid assets	42,240
Assigned:	
Green Space Fundraiser	17,469
Green Initiative Savings to be Spend on Green Initiative Capital Expenditures	4,281
Unassigned	504,311
Total fund balance	568,301
Total liabilities, deferred inflows of resources, and fund balance	**$ 888,510**

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

	June 30, 2021
Fund Balance Reported in the Governmental Fund	$ 568,301
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	1,186,377
Accumulated depreciation	(465,638)
Net capital assets used in governmental activities	720,739
Receivables that are not collected soon after year end are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds	36,632
Mortgage payable and capital lease obligations are not due and payable in the current period and are not reported in the funds	(12,363)
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	(27,557)
Net pension liability and related deferred inflows and outflows	(3,663,158)
Net OPEB liability and related deferred inflows and outflows	(950,379)
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	(188,031)
Net Position (Deficit) of Governmental Activities	**$ (3,515,816)**

Governmental Fund
Statement of Revenue, Expenditures, and Changes in Fund Balance

Year Ended June 30, 2021

	General Fund
Revenue	
Local sources	$ 9,681
State sources	2,653,762
Federal sources	240,315
Interdistrict sources	141,489
Total revenue	3,045,247
Expenditures	
Current:	
Instruction	1,789,531
Support services	832,268
Debt service:	
Principal	382,086
Interest	12,897
Capital outlay	98,799
Total expenditures	3,115,581
Net Change in Fund Balance	(70,334)
Fund Balance - Beginning of year	638,635
Fund Balance - End of year	**$ 568,301**

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

Year Ended June 30, 2021

Net Change in Fund Balance Reported in Governmental Funds	$	(70,334)
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		29,719
Depreciation expense		(42,212)
Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in the funds until it is available		(8,368)
Revenue in support of pension contributions made subsequent to the measurement date		(32,538)
Repayment of mortgage principal and capital lease is an expenditure in the governmental funds but not in the statement of activities (where it reduces long-term debt)		382,086
Some employee costs (pension, OPEB, compensated absences) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds		(199,619)
Change in Net Position of Governmental Activities	**$**	**58,734**

Note 1 - Nature of Business

Grand Rapids Child Discovery Center (the "School") is a charter school academy in the State of Michigan that provides educational services to students.

Note 2 - Significant Accounting Policies

Accounting and Reporting Principles

The School 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 School:

Reporting Entity

The School 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. On January 1, 2000, the School entered into a five-year contract with the Grand Rapids Public Schools Board of Education to charter the School. This contract has since been extended through June 30, 2023. The contract requires the School 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 Grand Rapids Public Schools' Board of Education is the fiscal agent for the School and is responsible for overseeing the School’s compliance with the contract and all applicable laws. The School pays the Grand Rapids Public Schools' Board of Education 3.0 percent of state aid as administrative fees. The administrative fees for the year ended June 30, 2021 to the Grand Rapids Public Schools' Board of Education totaled approximately $67,000.

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational or financial relationships with the School. Based on application of the criteria, the School does not contain any component units.

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. 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; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Taxes, unrestricted intergovernmental receipts, and other items not properly included among program revenue are reported instead as general revenue.

Note 2 - Significant Accounting Policies (Continued)

Fund Accounting

The School accounts for its various activities in one fund to demonstrate accountability for how it spends certain resources; fund accounting allows the School to show the particular expenditures for which specific revenue is used. The School reports the following major governmental fund:

Governmental Fund

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 School'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.

Basis of Accounting

The governmental fund uses 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 School 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 School 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.

Specific Balances and Transactions

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

Receivables

Accounts receivable consist primarily of state school aid, of which payments will be received in July and August that are intended to finance the previous fiscal year. Trade receivables are shown net of an allowance for uncollectible amounts. The School considers all accounts receivable 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, when applicable.

Capital Assets

Capital assets, which include land, buildings, furniture, and equipment, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the School as assets with an initial individual cost of more than $1,000 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. Donated capital assets are recorded at estimated acquisition value at the date of donation.

Note 2 - Significant Accounting Policies (Continued)

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

	Depreciable Life - Years
Buildings and improvements	10-30
Furniture and equipment	5-10
Land improvements	10-20

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. In the fund financial statements, governmental fund types recognize debt issuances as other financing sources.

Salaries Payable and Accrued Employee Benefits

A liability is recorded at June 30 for those amounts owed to teachers and other employees of the School who do not work during the summer when school is not in session but have elected to have their salaries paid over an entire year. This has the effect of properly charging their salaries to expenditures in the fiscal year in which their services are received, even though they are not paid until July and August of the following fiscal year. The corresponding liability for accrued retirement and the employer share of FICA related to the salaries payable has been recorded as well.

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 School reports deferred outflows related to deferred pension and OPEB plan 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 School 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.

Net Position

Net position of the School is classified in two 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. Unrestricted net position is the remaining net position that does not meet the definition of invested in capital or restricted.

Net Position Flow Assumption

The School 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 School’s policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Note 2 - Significant Accounting Policies (Continued)

Fund Balance Flow Assumptions

The School 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 School’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. The School itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the School’s highest level of decision-making authority. The board of directors is the highest level of decision-making authority for the School 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 School has, by resolution, authorized the finance director to assign fund balance. The board of directors 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.

Grants and Contributions

The School receives federal, state, and local grants, as well as contributions from individuals and private organizations. Revenue from grants and contributions (including contributions of capital assets) is recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenue. Amounts restricted to capital acquisitions are reported after nonoperating revenue and expenses.

Pension and Other Postemployment Benefit (OPEB) Plans

For purpose 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)

Compensated Absences (Vacation and Sick Leave)

It is the School's policy to permit qualified union employees to accumulate earned but unused sick and vacation pay benefits. Sick pay is accrued for the estimated amount for vested employees that the School will pay upon employee retirement; vacation pay is accrued when incurred. A qualified union employee who has reached the age and years of service requirement of the Michigan Public School Retirement Act and completed 10 years of service under the GREA union contract shall receive upon retirement payment for unused sick leave days accumulated as of the time of retirement. Both of these are reported in the government-wide financial statements. A liability for these amounts is reported in governmental funds only for employee retirements as of year end.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 reporting period. Actual results could differ from those estimates.

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 School 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 School's financial statements for the year ended June 30, 2021 but were extended to 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. 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 School to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year. During the year, the budget was amended in a legally permissible manner. The School increased budgeted amount for debt service during the year due to the Board of Education's decision to pay off the commercial mortgage loan.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders and 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 School did not have significant expenditure budget variances.

Note 4 - Deposits and Investments

State statutes and the School's investment policy authorize the School to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The School is allowed to invest in U.S. Treasury or agency obligations, U.S. government repurchase agreements, bankers' acceptances, certificates of deposit, 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 School's deposits and investments are in accordance with statutory authority.

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

The School's cash is 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 School's deposits may not be returned to it. The School does not have a deposit policy for custodial credit risk. At year end, the School had $13,296 of bank deposits (checking and savings accounts) that was uninsured and uncollateralized. The School 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 School 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 - Receivables

Receivables as of June 30, 2021 for the School's individual major fund are as follows:

	Governmental Activities
Receivables:	
State aid	$ 471,334
Federal grants	21,608
Interdistrict	36,632
Total	$ 529,574

Note 6 - 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 School had no unearned revenue and had $36,632 of unavailable revenue primarily related to Act 18 revenue that passes through Kent Intermediate School District.

Note 7 - Capital Assets

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

Governmental Activities

	Balance July 1, 2020	Additions	Disposals and Adjustments	Balance June 30, 2021
Capital assets not being depreciated - Land	$ 100,000	$ -	$ -	$ 100,000
Capital assets being depreciated:				
Buildings and improvements	746,711	2,120	-	748,831
Furniture and equipment	221,755	16,695	-	238,450
Land improvements	88,192	10,904	-	99,096
Subtotal	1,056,658	29,719	-	1,086,377
Accumulated depreciation:				
Buildings and improvements	202,898	26,678	-	229,576
Furniture and equipment	203,197	10,281	-	213,478
Land improvements	17,331	5,253	-	22,584
Subtotal	423,426	42,212	-	465,638
Net capital assets being depreciated	633,232	(12,493)	-	620,739
Net governmental activities capital assets	$ 733,232	$ (12,493)	$ -	$ 720,739

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

Note 8 - Long-term Debt

Long-term debt activity for the year ended June 30, 2021 can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Direct borrowings and direct placements - Commercial mortgage - Direct borrowings and direct placements	$ 372,941	$ -	$ (372,941)	$ -	$ -
Capital leases (Note 9)	21,508	-	(9,145)	12,363	5,495
Compensated absences	19,875	8,546	(864)	27,557	-
Total governmental activities long-term debt	$ 414,324	$ 8,546	$ (382,950)	$ 39,920	$ 5,495

Other Long-term Liabilities

The commercial mortgage is due in monthly installments of $3,452, including interest at 4.46 percent. The commercial mortgage was paid in full during the year ended June 30, 2021.

Note 9 - Leases

Capital Leases

The School has entered into a lease agreement as lessee for copiers. The total original capital lease liability is $29,820, with an interest rate of 3.27 percent and monthly payments of $497. The lease agreements qualify as a capital lease for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception date. The future minimum lease obligation and the net present value are as follows:

Years Ending	Amount
2022	$ 5,964
2023	5,964
2024	1,491
Total	13,419
Less amount representing interest	1,056
Present value	$ 12,363

The cost and related accumulated depreciation on the capital leases are $27,473 and $16,484, respectively, as of June 30, 2021.

Note 10 - Risk Management

The School 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 School has purchased commercial insurance for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 11 - Michigan Public School Employees' Retirement System

Plan Description

The School 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 School. Certain school 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.

Note 11 - 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 School 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.

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

The School'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 School's required and actual pension contributions to the plan for the year ended June 30, 2021 were $463,694, which includes the School's contributions required for those members with a defined contribution benefit. The School's required and actual pension contributions include an allocation of $188,031 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 School's required and actual OPEB contributions to the plan for the year ended June 30, 2021 were $119,788, which includes the School's contributions required for those members with a defined contribution benefit.

Net Pension Liability

At June 30, 2021, the School reported a liability of $4,651,024 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 School'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 School's proportion was 0.0135 and 0.0137 percent, respectively, representing a change of (0.87) percent.

Net OPEB Liability

At June 30, 2021, the School reported a liability of $756,474 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 School’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 School’s proportion was 0.0141 and 0.0139 percent, respectively, representing a change of 1.64 percent.

Note 11 - 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 School recognized pension expense of $705,183, inclusive of payments to fund the MPSERS UAAL stabilization rate. At June 30, 2021, the School 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	$ 71,064	$ (9,927)
Changes in assumptions	515,378	-
Net difference between projected and actual earnings on pension plan investments	19,542	-
Changes in proportion and differences between the School's contributions and proportionate share of contributions	51,294	(31,594)
The School's contributions to the plan subsequent to the measurement date	372,109	-
Total	$ 1,029,387	$ (41,521)

The $188,031 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	$ 290,449
2023	200,743
2024	96,870
2025	27,695
Total	$ 615,757

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 School recognized OPEB recovery of $7,774.

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

At June 30, 2021, the School 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	$ -	$ (563,644)
Changes in assumptions	249,424	-
Net difference between projected and actual earnings on OPEB plan investments	6,314	-
Changes in proportionate share or difference between amount contributed and proportionate share of contributions	61,229	(26,205)
Employer contributions to the plan subsequent to the measurement date	78,977	-
Total	$ 395,944	$ (589,849)

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	$ (70,472)
2023	(61,703)
2024	(54,506)
2025	(50,066)
2026	(36,135)
Total	$ (272,882)

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

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.

Note 11 - 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 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.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the School, calculated using the discount rate depending on the plan option. The following also reflects what the School'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 School	$ 6,019,961	$ 4,651,024	$ 3,516,480

Note 11 - 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 School, calculated using the current discount rate. It also reflects what the School'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 School	$ 971,777	$ 756,474	$ 575,207

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

The following presents the net OPEB liability of the School, calculated using the current health care cost trend rate. It also reflects what the School'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 School	$ 568,267	$ 756,474	$ 970,537

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 School reported a payable of $78,249 and $18,897 for the outstanding amount of contributions to the pension plan and OPEB plan, respectively, 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	$ 57,670	$ 10,454	$ 9,681	$ (773)
State sources	2,244,787	2,637,699	2,653,762	16,063
Federal sources	99,088	240,295	240,315	20
Interdistrict sources	95,649	141,489	141,489	-
Total revenue	2,497,194	3,029,937	3,045,247	15,310
Expenditures				
Current:				
Instruction:				
Basic programs	1,449,443	1,389,659	1,403,916	14,257
Added needs	348,138	374,091	385,615	11,524
Support services:				
Pupil	40,000	28,010	21,083	(6,927)
Instructional staff	128,852	133,335	132,284	(1,051)
School administration	330,281	327,073	324,740	(2,333)
Business	182,846	206,043	208,165	2,122
Operations and maintenance	199,456	163,709	145,996	(17,713)
Debt service	16,819	399,358	394,983	(4,375)
Capital outlay	9,200	94,337	98,799	4,462
Total expenditures	2,705,035	3,115,615	3,115,581	(34)
Net Change in Fund Balance	(207,841)	(85,678)	(70,334)	15,344
Fund Balance - Beginning of year	638,635	638,635	638,635	-
Fund Balance - End of year	**$ 430,794**	**$ 552,957**	**$ 568,301**	**$ 15,344**

Required Supplemental Information
Schedule of the School's 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
School's proportion of the net pension liability	0.01354 %	0.01366 %	0.01353 %	0.01313 %	0.01314 %	0.01290 %	0.01133 %
School's proportionate share of the net pension liability	$ 4,651,024	$ 4,523,325	$ 4,066,202	$ 3,401,580	$ 3,278,555	$ 3,150,853	$ 2,496,482
School's covered payroll	$ 1,281,694	$ 1,233,873	$ 1,232,752	$ 1,111,866	$ 1,137,739	$ 1,092,217	$ 991,202
School's proportionate share of the net pension liability as a percentage of its covered payroll	362.88 %	366.60 %	329.85 %	305.93 %	288.16 %	288.48 %	251.86 %
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 %

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	$ 432,345	$ 397,779	$ 381,057	$ 350,639	$ 307,563	$ 302,347	$ 235,875
Contributions in relation to the statutorily required contribution	432,345	397,779	381,057	350,639	307,563	302,347	235,875
Contribution Deficiency (Excess)	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
School's Covered Payroll	$ 1,252,982	$ 1,278,682	$ 1,227,009	$ 1,185,063	$ 1,122,976	$ 1,154,338	$ 1,092,667
Contributions as a Percentage of Covered Payroll	34.51 %	31.11 %	31.06 %	29.59 %	27.39 %	26.19 %	21.59 %

See notes to required supplemental information.

Required Supplemental Information
Schedule of the School's 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
School's proportion of the net OPEB liability	0.01412 %	0.01389 %	0.01430 %	0.01326 %
School's proportionate share of the net OPEB liability	$ 756,474	$ 997,197	$ 1,136,400	$ 1,174,460
School's covered payroll	$ 1,281,694	$ 1,233,873	$ 1,232,752	$ 1,111,866
School's proportionate share of the net OPEB liability as a percentage of its covered payroll	59.02 %	80.82 %	92.18 %	105.63 %
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	$ 104,270	$ 102,750	$ 96,382	$ 85,594
Contributions in relation to the statutorily required contribution	104,270	102,750	96,382	85,594
Contribution Deficiency	**$ -**	**$ -**	**$ -**	**$ -**
School's Covered Payroll	$ 1,252,982	$ 1,278,682	$ 1,227,009	$ 1,185,063
Contributions as a Percentage of Covered Payroll	8.32 %	8.04 %	7.86 %	7.22 %

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 from 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 report 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 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.