Audited Financial Statements

New School High

Plymouth, Michigan

June 30, 2021

C O N T E N T S

C O N T E N T S - Continued

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of New School High

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of New School High as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise New School High'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, each major fund, and the aggregate remaining fund information of New School High, as of June 30, 2021, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary 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, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise New School High's basic financial statements. The schedules of revenues and expenditures are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2021, on our consideration of New School High's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of New School High'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 New School High's internal control over financial reporting and compliance.

Croskey Lanni, PC

Croskey Lanni, PC

Rochester, Michigan
October 26, 2021

Croskey Lanni

INDEPENDENT AUDITOR'S 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*

To the Board of Directors
of New School High

We have audited, in accordance with the 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, each major fund, and the aggregate remaining fund information of New School High, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise New School High's basic financial statements, and have issued our report thereon dated October 26, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered New School High's internal control over financial reporting (internal control) as a basis for designing audit the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of New School High's internal control. Accordingly, we do not express an opinion on the effectiveness of New School High'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 entity'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.

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

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

Croskey Lanni, PC

Croskey Lanni, PC

Rochester, Michigan
October 26, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of New School High's annual financial report presents our discussion and analysis of the school's financial performance during the fiscal year that ended on June 30, 2021. Please read it in conjunction with the school's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

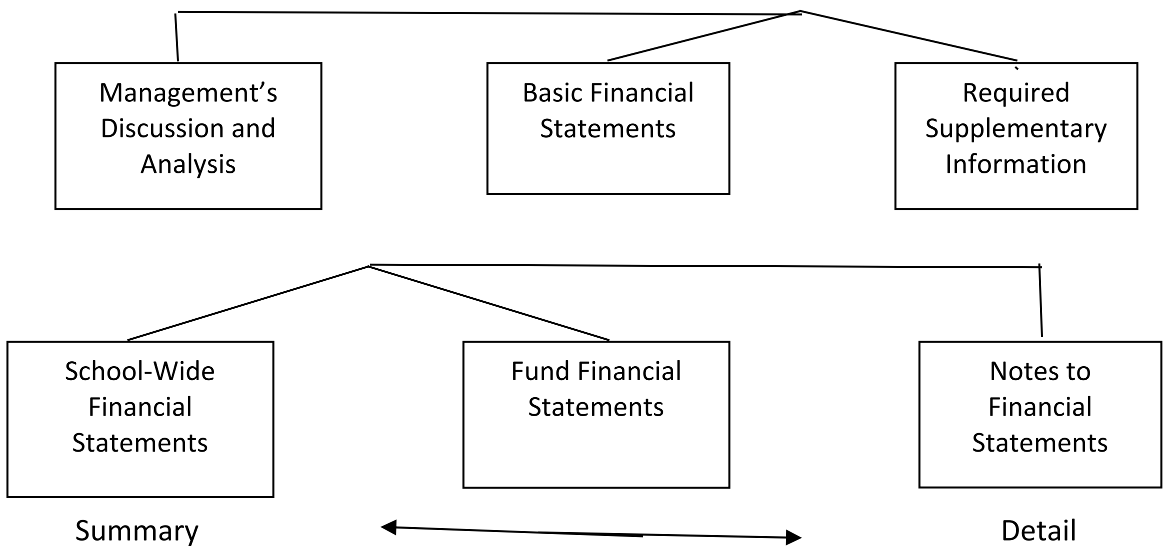
- ❖ The total cost of basic programs was $270,638.
- ❖ Revenues were $704,030 while expenditures were $642,450.
  - Blended enrollment used for state aid purposes was 69.77 – a decrease of 3.98 students from 2020-21.
- ❖ The school did not borrow during the year.
- ❖ The school had a positive General Fund balance of $238,551.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the school:

- The first two statements are school-wide financial statements that provide both short-term and long-term information about the school's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the school, reporting the school's operations in more detail.
- The governmental fund statements tell how basic services like regular and special education were financed.
- Fiduciary funds statements provide information about the financial relationships in which the school acts solely as a trustee or agent for the benefit of others. These consist of student activity funds held by the school on behalf of the student group.

Figure A-1
Organization of New School's Annual Financial Report



The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the school's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-2
Major Features of School-Wide and Fund Financial Statements

	School-Wide Statements	Government Funds	Fiduciary Funds
Scope	Entire school (except fiduciary funds)	The activities of the school that are not proprietary or fiduciary, such as special education and building maintenance.	Instances in which the school administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	*Statement of net position *Statement of activities	*Balance sheet *Statement of revenues, expenditures and changes in fund balances	*Statement of fiduciary net position *Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

Figure A-2 summarizes the major features of the school's financial statements, including the portion of the schools activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

SCHOOL-WIDE STATEMENTS

The school-wide statements report information about the school as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the school's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two school-wide statements report the school's net position and how it has changed. Net position – the difference between the school's assets and liabilities – are one way to measure the school's financial health or position.

- Over time, increases or decreases in the school's assets are an indicator of whether its financial position is improving or deteriorating, respectively.

- To assess the overall health of the school, you need to consider additional non-financial factors such as changes in the school's enrollment and the condition of school buildings and other facilities.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the school's funds, focusing on its most significant or "major" funds – not the school as a whole. Funds are accounting devices the school uses to keep track of specific sources of funding and spending on particular programs:

- *Governmental activities* – Most of the school's basic services are included in the general fund, such as regular and special education and administration. State foundation aid finances most of these activities.

- The school establishes other funds to control and manage money for particular purposes (like repaying its long-term debts) or to show that it is properly using certain revenues.

The school has one kind of fund:

- *Governmental funds* – Most of the school's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the school's programs. Because this information does not encompass the additional long-term focus of the school-wide statements, we provide additional information with governmental funds statements that explains the relationship (or differences) between them.

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

The school's financial position is the product of many factors.

General Fund Budgetary Analysis

The board reviewed the budget and adopted budget amendments three times during the year. All amendments anticipated positive net income.

In December 2020 the budget amendment decreased local revenue, increased state revenue and federal revenue. It increased basic programs, added needs, pupil support, instructional staff support services, general administration, school administration, business services, operations & maintenance, pupil transportation and central support services expenditures.

In March 2021 the second budget amendment decreased state revenue and federal revenue while adding a fund modification. The amendment increased basic programs, added needs and operations & maintenance expenditures. It decreased pupil support services, instructional staff support, general administration, school administration, and central support services expenditures.

In June 2021 the third budget amendment increased local, state and federal revenue. This amendment increased basic programs, added needs, instructional staff support, general administration, operations & maintenance and central support services expenditures. It decreased pupil support services, school administration and business services expenditures.

Financial Outlook

The New School High's financial forecast is cautiously optimistic heading into the 2021-2022 school year.

- ❖ While the per pupil state aid allowance will increase $589, enrollment is decreasing in 2021-2022. The school board anticipates fund balance will be used to pay 21-22 expenditures that exceed the year's revenue.

- ❖ In June 2022 the School expects to graduate 10 students. This is a decrease from 19 graduates in 2021, 15 graduates in 2020, 18 graduates in 2019 and 3 graduates in 2018.

- ❖ A projected state aid shortfall in early 2020-21 was offset by federal coronavirus relief funds and a blended state aid membership count. Per pupil funding in Michigan continues to rise - $7,511 (2016-17), $7,631 (2017-18), $7,871 (2018-19), $8,111 (2019-20), $8,711 (2020-21) .

- ❖ The School Leader role continues while Instructional, Student Support and Administration roles will be sustained despite declining enrollment and student need for credit recovery after the 2020 coronavirus school shutdown.

- ❖ Challenges ahead include the need to (1) increase student enrollment, (2) identify space to accommodate instruction , and (3) implement a strategic plan for the school .

Table A-3
New School High's Net Position

	2021	2020
Current and other assets	$ 319,224	$ 258,007
Capital assets	-	5,495
Deferred outflows	49,280	86,050
Total assets and deferred outflows	368,504	349,552
Other liabilities	145,437	184,933
Deferred inflows	34,714	11,754
Total liabilities and deferred inflows	180,151	196,687
Net position:		
Restricted	-	5,495
Unrestricted	188,353	147,370
Total net position	$ 188,353	$ 152,865

Table A-4
Changes in New School High's Net Position

	2021	2020
Revenues:		
Program revenues:		
Federal and state operating grants	$ 113,076	$ 73,927
General revenues:		
State aid - unrestricted	572,695	586,776
Miscellaneous	18,259	15,247
Total revenues	704,030	675,950
Expenses:		
Instruction	345,644	326,594
Support services	317,403	373,237
Unallocated depreciation	5,495	10,991
Total expenses	668,542	710,822
Increase (decrease) in net position	$ 35,488	$ (34,872)

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2021, the school had invested $95,404 in capital assets, including computers and software. See table A-5 below for a listing of capital assets, and the accumulated depreciation.

Table A-5
New School High's Capital Assets

	Balance June 30, 2021	Balance June 30, 2020
Equipment	$ 60,789	$ 60,789
Computers	34,615	34,615
Subtotal	95,404	95,404
Accumulated depreciation	95,404	89,909
Net book value of assets	$ -	$ 5,495

FACTORS BEARING ON THE SCHOOL'S FUTURE

- While state aid foundation grant per pupil funding is increasing in 2021-22 to $8,711, the funding calculation will include a lower student count.
- The student enrollment declined over the past two years.
- Students need to resume their learning and progress towards graduation in 2021-22. After two shutdowns due to coronavirus in 2020 more students need credit recovery.
- 2021-22 is the last annual renewal in the school's current lease

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our students, parents and creditors with a general overview of the school's finances and to demonstrate the school's accountability for the money it receives. If you have questions about this report or need additional information, contact the school office at:

46250 Ann Arbor Road
Plymouth MI 48170
(734) 386-6601
administration@newschoolhigh.org

NEW SCHOOL HIGH

STATEMENT OF NET POSITION
JUNE 30, 2021

ASSETS AND DEFERRED OUTFLOWS

Current Assets		
Cash and cash equivalents	$	162,353
Due from other governmental units		129,951
Prepaid expenses		26,920
Total current assets		319,224
Deferred Outflows		
Related to pension		35,063
Related to other post employment benefits		14,217
Total deferred outflows		49,280
Total assets and deferred outflows	$	368,504

LIABILITIES, DEFERRED INFLOWS AND NET POSITION

Current Liabilities		
Accounts payable	$	10,218
Unearned revenue		8,660
Other accrued expenses		61,795
Net pension liability		58,771
Net other post employment benefit liability		5,993
Total current liabilities		145,437
Deferred Inflows		
Related to pension		17,497
Related to other post employment benefits		17,217
Total deferred inflows		34,714
Total liabilities and deferred inflows		180,151
Net Position		
Unrestricted		188,353
Total liabilities, deferred inflows and net position	$	368,504

See accompanying notes to financial statements

NEW SCHOOL HIGH

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

	Expenses	Charges for Services	Program Revenues Operating Grants	Net (Expense) Revenues and Changes in Net Position Government Type Activities
Functions				
Instruction				
Basic programs	$ 270,638	$ -	$ 35,655	$ (234,983)
Added needs	75,006	-	40,474	(34,532)
Support services				
Pupil support services	32,442	-	26,368	(6,074)
Instructional staff support services	2,170	-	1,337	(833)
General administration	41,741	-	-	(41,741)
School administration	94,001	-	4,592	(89,409)
Business support services	52,806	-	-	(52,806)
Operations and maintenance	74,479	-	4,375	(70,104)
Pupil transportation services	33	-	-	(33)
Central support services	9,506	-	275	(9,231)
Prior period adjustments	10,225	-	-	(10,225)
Unallocated depreciation	5,495	-	-	(5,495)
Total primary government	$ 668,542	$ -	$ 113,076	$ (555,466)
General Purpose Revenues				
State school aid - unrestricted				572,695
Miscellaneous revenues				18,259
Total general purpose revenues				590,954
Change in net position				35,488
Net position - July 1, 2020				152,865
Net position - June 30, 2021				$ 188,353

See accompanying notes to financial statements

NEW SCHOOL HIGH

COMBINED BALANCE SHEET – ALL GOVERNMENTAL FUNDS
JUNE 30, 2021

ASSETS

Cash and cash equivalents	$	162,353
Due from other governmental units		129,951
Prepaid expenses		26,920
Total assets	$	319,224

LIABILITIES AND FUND BALANCE

Liabilities		
Accounts payable	$	10,218
Unearned revenue		8,660
Other accrued expenses		61,795
Total liabilities		80,673
Fund Balance		
Nonspendable		26,920
Assigned		362
Unassigned		211,269
Total fund balance		238,551
Total liabilities and fund balance	$	319,224

See accompanying notes to financial statements

NEW SCHOOL HIGH

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET POSITION
OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2021

Amounts reported for governmental activities in the statement of net position are different because:

Total Governmental Fund Balances			$	238,551
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is $95,404 and the accumulated depreciation is $95,404.				-
Deferred Outflows of Resources:				
Related to pension payments made subsequent to the measurement date	$	35,063		
Related to OPEB payments made subsequent to the measurement date		14,217		49,280
Deferred Inflows of Resources:				
Related to pension investment returns	$	(17,497)		
Related to OPEB investment returns		(17,217)		(34,714)
Net pension obligations are not due and payable in the current period and are not reported as fund liabilities.				(58,771)
Net OPEB obligations are not due and payable in the current period and are not reported as fund liabilities.				(5,993)
Net Position of Governmental Activities			$	188,353

See accompanying notes to financial statements

NEW SCHOOL HIGH

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE – ALL GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

Revenues	
Local sources	$ 18,259
State sources	611,346
Federal sources	74,425
Total governmental fund revenues	704,030
Expenditures	
Instruction	
Basic programs	270,638
Added needs	54,409
Support services	
Pupil support services	32,442
Instructional staff support services	2,170
General administration	41,741
School administration	94,001
Business support services	52,806
Operations and maintenance	74,479
Pupil transportation services	33
Central support services	9,506
Prior period adjustments	10,225
Total governmental fund expenditures	642,450
Excess (deficiency) of revenues over expenditures	61,580
Fund balance - July 1, 2020	176,971
Fund balance - June 30, 2021	$ 238,551

See accompanying notes to financial statements

NEW SCHOOL HIGH

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

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

Net Change in Fund Balances - Total Governmental Funds	$	61,580
Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation and amortization expense. This is the amount by which capital outlays exceeded depreciation and amortization in the current period.		
Depreciation and amortization expense		(5,495)
Change in pension expense related to deferred items		(18,472)
Change in OPEB expense related to deferred items		(2,125)
Change in Net Position of Governmental Activities	$	35,488

See accompanying notes to financial statements

NEW SCHOOL HIGH

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of New School High (the "Academy") conform to generally accepted accounting principles applicable to public school academies. The following is a summary of the significant accounting policies:

Reporting Entity

New School High was formed as a public school academy pursuant to the Michigan School Code of 1976, as amended by Act No. 362 of the Public Acts of 1993 and Act No. 416 of the Public Acts of 1994. The Academy filed articles of incorporation as a nonprofit corporation pursuant to the provisions of the Michigan Nonprofit Corporation Act of 1982, as amended, on April 8, 2014, and began operation in July 2015.

In July 2019, the Academy entered into a five-year contract with the Eastern Michigan University's Board of Regents to charter a public school academy. The contract requires the Academy to act exclusively as a governmental agency and not undertake any action inconsistent with its status as an entity authorized to receive state school aid funds pursuant to the State constitution. The University's Board of Regents 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 Eastern Michigan University's Board of Regents three percent of state aid as administrative fees. Total administrative fees paid for the year ended June 30, 2021 were approximately $17,100.

In May 2015, the Academy entered into an agreement with AP Educational HR, LLC (AP HR). The agreement shall continue until June 2018, and if not terminated, the agreement shall automatically renew for successive one year terms, until terminated by either party. Under the terms of this agreement, AP HR provides a variety of services including payroll and other human resource services. The Academy is obligated to pay AP HR 3.47 percent of gross payroll. The total paid for these services amounted to approximately $14,233 for the year ended June 30, 2021.

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 public school academy. Based on application of criteria, the Academy does not contain component units.

Fund Financial Statements

Fund financial statements report detailed information about the Academy. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

Basis of Presentation – Fund Accounting

The accounts of the Academy are organized on the basis of funds. The operations of a fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenue and expenditures. Government resources are allocated to and accounted for in individual funds based on the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the combined financial statements in this report, into generic fund types in two broad fund categories.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Governmental Funds

A governmental fund is a fund through which most Academy functions typically are financed. The acquisition, use and balances of the Academy's expendable financial resources and the related current liabilities are accounted for through a governmental fund.

General Fund - The general fund is used to record the general operations of the Academy pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved current operating budget.

Debt Service Fund - The debt service fund, which the Academy does not currently maintain, is used to record certain revenue and the payment of interest, principal and other expenditures on long-term debt.

Capital Projects Fund - The capital projects fund, which the Academy does not currently maintain, accounts for financial resources to be used for the acquisition, construction, or improvement of capital facilities.

Governmental and agency funds utilize the modified accrual basis of accounting. Modifications in such method from the accrual basis are as follows:

a. Revenue that is both measurable and available for use to finance operations is recorded as revenue when earned. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Academy considers revenues to be available if they are collected within sixty days of the end of the current fiscal period.

b. Payments for inventorial types of supplies, which are not significant at year end, are recorded as expenditures at the time of purchase.

c. Principal and interest of general long-term debt are not recorded as expenditures until their due dates.

d. The State of Michigan utilizes a foundation allowance funding approach, which provides for specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenue from state sources is primarily governed by the School Aid Act and the School Code of Michigan. The state portion of the foundation is provided from the State's School Aid Fund and is recognized as revenue in accordance with state law. A major portion of the Academy's revenue is derived from this state aid. As such, the Academy is considered to be economically dependent on this aid. The Academy's existence is dependent upon qualification for such aid.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Government-Wide Financial Statements

The government-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This approach differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationships between the government-wide statements and the statements for governmental funds.

The government-wide Statement of Activities presents a comparison between expenses and program revenues for each segment of the business-type activities of the Academy and for each governmental program. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. The Academy does not allocate indirect expenses to programs. In creating the government-wide financial statements the Academy has eliminated inter-fund transactions. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or function is self-financing or draws from the general revenues of the Academy.

Net position should be reported as restricted when constraints placed on net position use are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The Academy first utilizes restricted resources to finance qualifying activities.

Cash and Cash Equivalents

The Academy's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with maturities of three months or less from the date of acquisition. The Academy reports its investments in accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools and GASB No. 40, Deposit and Investment Risk Disclosures. Under these standards, certain

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Academy intends to hold the investment until maturity. The Academy held no investments during the year ended June 30, 2021. State statutes authorize the Academy to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, saving accounts, deposit accounts, and or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Corporation or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The Academy is also authorized to invest in U.S. Government or Federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

Receivables

Receivables at June 30, 2021 consist primarily of state school aid due from the State of Michigan and the federal government. All receivables are expected to be fully collected in July and August of 2021 and are considered current for the purposes of these financial statements.

Prepaid Assets

Payments made to vendors for services that will benefit periods beyond June 30, 2021, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

Capital Assets and Depreciation

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions or retirements during the year. The Academy follows the policy of not capitalizing assets with a useful life of less than one year. The Academy does not possess any infrastructure assets.

All reported capital assets, with the exception of land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Building and improvements	10 – 50 years
Equipment	5 – 15 years
Computers	3 – 10 years

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, the non-current portion of capital leases that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Pension

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension 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. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Postemployment Benefits Other Than Pensions

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, 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. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net Position

Net position represents the difference between assets, deferred outflows and liabilities and deferred inflows. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors or laws of regulations of other governments.

Fund Equity

The Academy has adopted GASB 54 as part of its fiscal year reporting. The intention of the GASB is to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the Academy's financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on those resources.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fund Equity

GASB 54 provides for two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. This category typically includes prepaid items and inventories.

In addition to nonspendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints.

a. *Restricted fund balance* – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

b. *Committed fund balance* – amounts constrained to specific purposes by the Board; to be reported as committed, amounts cannot be used for any other purpose unless the Board takes action to remove or change the constraint.

c. *Assigned fund balance* – amounts the Board intends to use for a specific purpose; intent can be expressed by the Board or by an official or committee to which the Board delegates the authority.

d. *Unassigned fund balance* – amounts that are available for any purpose; these amounts are reported only in the general fund.

The Academy follows the policy that restricted, committed, or assigned amounts will be considered to have been spent when an expenditure is incurred for purposes for which both unassigned and restricted, committed, or assigned fund balances are available. There are no governmental funds with a deficit.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Upcoming Accounting Pronouncements

In June 2017, the Governmental Accounting Standards Board issued GASB Statement No. 87, *Leases* which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based upon the payment provisions of the contact. 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 asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The Academy is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the Academy's financial statements for the year ending June 30, 2022.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Annual budgets are adopted on a consistent basis with accounting principles generally accepted in the United States of America and state law for the general fund. All annual appropriations lapse at fiscal year end and encumbrances are not formally recorded.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. State law requires the Academy to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. The Academy is required by law to adopt general and special revenue fund budgets. During the year ended June 30, 2021 the budget was amended in a legally permissible manner. A comparison of the budget versus actual can be found on page 30 of these financial statements.

NOTE 3 - DEPOSITS AND INVESTMENTS

Interest Rate Risk

In accordance with its investment policy, the Academy will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the Academy's cash requirements.

Credit Risk

State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2021, the Academy did not hold any investments.

Concentration of Credit Risk

The Academy will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Academy's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. As of June 30, 2021, none of the Academy’s cash balances were uninsured. All cash balances were uncollateralized as of June 30, 2021.

NOTE 3 - DEPOSITS AND INVESTMENTS – Continued

Custodial Credit Risk - Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the Academy will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The Academy will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the Academy will do business.

Foreign Currency Risk

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

Fair Value

Generally accepted accounting principles define fair value, establish a framework for measuring fair value, and establish a fair value hierarchy that prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Academy has the ability to access.

b. Level 2 inputs are inputs (other than quoted prices included within Level 1) that are observable for the asset or liability, either directly or indirectly.

c. Level 3 are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability. (The observable inputs should be developed based on the best information available in the circumstances and may include the Academy's own data.)

The Academy does not have any investments that are subject to the fair value measurement.

NOTE 4 - DUE FROM OTHER GOVERNMENTAL UNITS

Amounts due from other governmental units consist of the following:

State sources	$ 129,951

NOTE 5 - CAPITAL ASSETS

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

	Balance July 1, 2020	Additions	Disposals	Balance June 30, 2021
Capital assets subject to depreciation				
Equipment	$ 60,789	$ -	$ -	$ 60,789
Computer	34,615	-	-	34,615
Sub-total	95,404	-	-	95,404
Accumulated depreciation				
Equipment	57,288	3,501	-	60,789
Computer	32,621	1,994	-	34,615
Sub-total	89,909	5,495	-	95,404
Total net capital assets	$ 5,495	$ (5,495)	$ -	$ -

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

NOTE 6 – OTHER ACCRUED EXPENSES

Other accrued expenses may be summarized as follows:

Purchased services - payroll and benefits	$	58,685
Oversight fee		3,110
Total other accrued expenses	$	61,795

NOTE 7 - OPERATING LEASES

Lease Information

	Maturity Date	Approximate Payment	Other
Facilities	June, 2022	$3,190 monthly	Monthly payment shall be calculated as 10% of the State of Michigan general fund per student allocation based on full time equivalent students per year with the number to be determined by the count taken on the Fall official count date each year as designated by the School Code. The term can extend on an annual basis of written communication through June, 2023 per the agreement.

The approximate amount of lease obligations coming due during the next year is as follows:

		Facilities
2022	$	44,760

Total lease expense for the year ended June 30, 2021 amounted to approximately $42,980.

NOTE 8 - RETIREMENT PLAN

All leased employees of the Academy are eligible to participate in a retirement plan established by "AP HR" which qualifies under the provisions of Section 401(k) of the Internal Revenue Code. Eligible employees may contribute up to 15% of their salaries under the terms of this plan.

NOTE 9 – DEFINED BENEFIT PENSION PLAN

Plan Description

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

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

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

The System’s financial statements are available on the ORS website at www.michigan.gov/orsschools.

Benefits Provided

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

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

NOTE 9 – DEFINED BENEFIT PENSION PLAN – Continued

Contributions

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the Sept. 30, 2019 valuation will be amortized over a 20-year period beginning Oct. 1, 2019 and ending Sept. 30, 2038.

The schedule below summarizes pension contribution rates in effect for fiscal year ended Sept. 30, 2020.

Pension Contribution Rates

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

Required contributions to the pension plan from the Academy were $4,702 for the year ended Sept. 30, 2020.

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

At June 30, 2021, the Academy reported a liability of $58,771 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of Sept. 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2019. The Academy's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At Sept. 30, 2020, the Academy's proportion was .0000017109 percent, which was a decrease of .0000008 percent from its proportion measured as of Sept. 30, 2019.

For the year ending June 30, 2021, the Academy recognized pension expense of $17,304. At June 30, 2021, the Academy reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTE 9 – DEFINED BENEFIT PENSION PLAN - Continued

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 898	$ 125
Changes of assumptions	6,512	-
Net difference between projected and actual earnings on	247	-
Changes in proportion and differences between Academy	27,406	-
Academy contributions subsequent to the measurement date*	-	-
Total	$ 35,063	$ 125

Contributions subsequent to the measurement date reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2021	$ 11,995
2022	7,799
2023	(209)
2024	(2,019)

Actuarial Assumptions

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

NOTE 9 – DEFINED BENEFIT PENSION PLAN - Continued

Summary of Actuarial Assumptions

Valuation Date	September 30, 2019
Actuarial Cost Method	Entry Age, Normal
Wage Inflation Rate	2.75 %
Investment Rate of Return	
MIP and Basic Programs	6.80 %
Pension Plus Plan	6.80 %
Pension Plus 2 Plan	6.00 %
Projected Salary Increases (including wage inflation at 2.75%):	2.75 - 11.55 %
Cost-of-Living Pension Adjustments	3% Annual Non-Compounded for MIP Members

Mortality

Retirees: RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Active Members: P-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection sale MP-2017 from 2006.

Notes

Assumption changes as a result of an experience study for the periods 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2017 valuation. The total pension liability as of September 30, 2019, is based on the results of an actuarial valuation date of September 30, 2018, and rolled forward using generally accepted actuarial procedures, including the experience study.

Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 4.4892

Recognition period for assets in years: 5.0000

Full actuarial assumptions are available in the 2020 MPSERS Comprehensive Annual Financial Report found in the OS website at www.michigan.gov/orsschools.

NOTE 9 – DEFINED BENEFIT PENSION - Continued

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on pension 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 pension 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. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of Sept. 30, 2020, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Domestic Equity Pools	25.0 %	5.6 %
Private Equity Pools	16.0	9.3
International Equity	15.0	7.4
Fixed Income Pools	10.5	0.5
Real Estate and Infrastructure Pools	10.0	4.9
Absolute Return Pools	9.0	3.2
Real Return / Opportunistic Pools	12.5	6.6
Short Term Investment Pools	2.0	0.1
Total	100.0 %	

*Long term rate of return does not include 2.3% inflation

Rate of Return

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

Discount Rate

A discount rate of 6.80% was used to measure the total pension liability (6.80% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan, hybrid plans provided through non-university employers only). This discount rate was based on the long-term expected rate of return on pension plan investments of 6.80% (6.80% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 9 – DEFINED BENEFIT PENSION - Continued

Sensitivity of the Academy's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Academy's proportionate share of the net pension liability calculated using the discount rate of 6.80% (6.80% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan), as well as what the Academy's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

1% Decrease 5.80% / 5.80% / 5.00%	Current Single Discount Rate Assumption 6.80% / 6.80% / 6.00%	1% Increase 7.80% / 7.80% / 7.00%
$ 76,069	$ 58,774	$ 44,435

Michigan Public School Employees' Retirement System (MPSERS) Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS CAFR, available on the ORS website at www.michigan.gov/orsschools.

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description

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

The System's health plan provides all eligible retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

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

The System's financial statements are available on the ORS website at *www.michigan.gov/orsschools*.

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) - Continued

Benefits Provided

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

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

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

Contributions

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

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

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) - Continued

The schedule below summarizes OPEB contribution rates in effect for fiscal year ended September 30, 2020.

Benefit Structure	Member	Employer
Premium Subsidy	3.00 %	8.09 %
Personal Healthcare Fund (PHF)	0.00	7.57

Required contributions to the OPEB plan from The Academy were $790 for the year ended September 30, 2020.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2021, the Academy reported a liability of $5,993 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability 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 rolled forward from September 2019. The Academy's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2020, the Academy's proportion was .0000011186 percent, which was a decrease of .0000017714 percent from its proportion measured as of October 1, 2019.

For the year ending June 30, 2021, the Academy recognized OPEB expense of $1,914. 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
Differences between expected and actual experience	$ -	$ 4,465
Changes of assumptions	1,976	-
Net difference between projected and actual earnings on OPEB plan investments	50	-
Changes in proportion and differences between Academy contributions and proportionate share of contributions	12,191	12,752
Academy contributions subsequent to the measurement date*	-	-
Total	$ 14,217	$ 17,217

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) - Continued

Contributions subsequent to the measurement date reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	Amount
2021	$ 1,418
2022	1,494
2023	(240)
2024	(2,915)
2025	(2,757)

Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Valuation Date	September 30, 2019
Actuarial Cost Method	Entry Age, Normal
Wage Inflation Rate	2.75 %
Investment Rate of Return	6.95 %
Projected Salary Increases (including wage inflation at 2.75%):	2.75 - 11.55 %
Healthcare Cost Trend Rate	7.5% Year 1 graded to 3.5% Year 12

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) - Continued

Mortality

Retirees: RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Active Members: RP-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection sale MP-2017 from 2006.

Other Assumptions

Opt-Out Assumption: 21% of eligibile participants hired before July 1, 2018 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan.

Survivor Coverage: 80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death

Coverage Election at Retirment: 75% of male and 60% of female future retirees are assumed to elect coverage for one or more dependents

Notes

Assumption changes as a result of an experience study for the periods 2012 through 2017 have been adopted by the System for use in the annual OPEB valuations beginning with the September 30, 2017 valuation. The total OPEB liability as of September 30, 2020, is based on the results of an actuarial valuation date of September 30, 2019, and rolled forward using generally accepted actuarial procedures, including the experience study.

Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 5.7101

Recognition period for assets in years: 5.0000

Full actuarial assumptions are available in the 2020 MPSERS Comprehensive Annual Financial Report found in the OS website at www.michigan.gov/orsschools.

Long-term Expected Return on Plan Assets

The long-term expected rate of return on 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 OPEB 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. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2019, are summarized in the following table:

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) - Continued

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Domestic Equity Pools	25.0 %	5.6 %
Private Equity Pools	16.0	9.3
International Equity	15.0	7.4
Fixed Income Pools	10.5	0.5
Real Estate and Infrastructure Pools	10.0	4.9
Absolute Return Pools	9.0	3.2
Real Return / Opportunistic Pools	12.5	6.6
Short Term Investment Pools	2.0	(0.1)
Total	100.0 %	

*Long term rate of return does not include 2.3% inflation

Rate of Return

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

Discount Rate

A discount rate of 6.95% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 6.95%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) - Continued

Sensitivity of the Academy's Proportionate Share of the net OPEB Liability to Changes in the Discount Rate

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

1% Decrease 5.95%	Current Discount Rate 6.95%	1% Increase 7.95%
$ 7,698	$ 5,993	$ 4,557

Sensitivity of the Academy's Proportionate Share of the Net OPEB Liability to Healthcare Cost Trend Rate

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

1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
$ 4,502	$ 5,993	$ 7,688

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2020 MPSERS CAFR, available on the ORS website at www.michigan.gov/orsschools.

NOTE 11 - RISK MANAGEMENT

The Academy is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (worker's compensation), as well as medical benefits provided to employees. The Academy has purchased commercial insurance for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage since its inception.

NOTE 12 – CONTINGENCIES

The COVID-19 pandemic that the world is experiencing is unprecedented. It is nearly impossible to fully anticipate the long term effects the impact it will have on the economy and the Academy's operations. As of the date of these financial statements, the Academy continues to evaluate and implement risk mitigation tactics including all aspects of the Academy's activities related to public school education, relationships with local, state and federal government funding sources, compliance with requirements of these funding sources and with business transactions with customers, vendors and human interaction within and outside of the Academy.

SUPPLEMENTARY INFORMATION

NEW SCHOOL HIGH

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021

	Original Budget	Final Budget	Actual	Variance
Revenues				
Local sources	$ 6,533	$ 5,878	$ 18,259	$ 12,381
State sources	473,281	585,765	611,346	25,581
Federal sources	45,300	76,290	74,425	(1,865)
Total general fund revenues	525,114	667,933	704,030	36,097
Expenditures				
Instruction				
Basic programs	249,516	274,022	270,638	(3,384)
Added needs	50,427	59,633	54,409	(5,224)
Support services				
Pupil support services	26,093	32,391	32,442	51
Instructional staff support services	1,300	2,240	2,170	(70)
General administration	46,866	45,124	41,741	(3,383)
School administration	95,598	97,080	94,001	(3,079)
Business support services	52,958	53,072	52,806	(266)
Operations and maintenance	68,680	75,103	74,479	(624)
Pupil transportation services	-	33	33	-
Central support services	6,739	9,590	9,506	(84)
Prior period adjustments	-	-	10,225	10,225
Total general fund expenditures	598,177	648,288	642,450	(5,838)
Excess (deficiency) of revenues over expenditures	(73,063)	19,645	61,580	41,935
Fund balance - July 1, 2020	176,971	176,971	176,971	-
Fund balance - June 30, 2021	$ 103,908	$ 196,616	$ 238,551	$ 41,935

NEW SCHOOL HIGH

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF NEW SCHOOL HIGH'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY MICHIGAN PUBLIC SCHOOL EMPLOYEE'S RETIREMENT SYSTEM
DETERMINED AS OF THE PLAN YEAR ENDED SEPTEMBER 30, 2020

Schedule of Academy's Proportionate Share of the Net Pension Liability
Determined As of 9/30 of Each Fiscal Year

	2020	2019
Academy's proportion of net pension liability (%)	0.0001711%	0.000251%
Academy's proportionate share of net pension liability	$ 58,771	$ 83,153
Academy's covered-employee payroll	$ 10,441	$ 26,214
Academy's proportionate share of net pension liability as a percentage of its covered-employee payroll	563%	317%
Plan fiduciary net position as a percentage of total pension liability	59.72%	60.31%

NEW SCHOOL HIGH

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF NEW SCHOOL HIGH'S CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEE'S RETIREMENT SYSTEM
DETERMINED AS OF THE YEAR ENDED JUNE 30, 2021

Schedule of the Academy's Contributions
Determined as of 6/30 of Each Fiscal Year

	2021	2020
Statutorily required contributions	$ 676	$ 6,670
Contributions in relation to statutorily required contributions	676	6,670
Contribution deficiency/(excess)	$ -	$ -
Academy's covered-employee payroll	$ 3,480	$ 18,097
Contributions as a percentage of covered-employee payroll	19.43%	36.86%

NEW SCHOOL HIGH

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF NEW SCHOOL HIGH'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY MICHIGAN PUBLIC SCHOOL EMPLOYEE'S RETIREMENT SYSTEM
DETERMINED AS OF THE PLAN YEAR ENDED SEPTEMBER 30, 2020

Schedule of Academy's Proportionate Share of the Net OPEB Liability
Determined As of 9/30 of Each Fiscal Year

	2020	2019
Academy's proportion of net OPEB liability (%)	0.00000112%	0.02890000%
Academy's proportionate share of net OPEB liability	$ 5,993	$ 20,744
Academy's covered-employee payroll	$ 10,441	$ 26,214
Academy's proportionate share of net OPEB liability as a percentage of its covered-employee payroll	57.40%	79.13%
Plan fiduciary net position as a percentage of total OPEB liability	59.44%	48.46%

NEW SCHOOL HIGH

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF NEW SCHOOL HIGH'S OPEB CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEE'S RETIREMENT SYSTEM
DETERMINED AS OF THE YEAR ENDED JUNE 30, 2021

Schedule of the Academy's Contributions
Determined as of 6/30 of Each Fiscal Year

	2021	2020
Statutorily required OPEB contributions	$ 293	$ 1,370
OPEB Contributions in relation to statutorily required contributions	293	$ 1,370
Contribution deficiency/(excess)	$ -	$ -
Academy's covered-employee payroll	$ 3,480	$ 18,097
OPEB Contributions as a percentage of covered-employee payroll	8.42%	7.57%

NEW SCHOOL HIGH

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES FOR THE YEAR ENDED JUNE 30, 2021

Defined Benefit Pension Plan

Benefit Changes - See Note 9 to the financial statements for discussion of benefit terms and assumptions.

Changes in Assumptions - See Note 9 to the financial statements for discussion of benefit terms and assumptions.

Postemployment Benefits Other Than Pensions (OPEB)

Benefit Changes - See Note 10 to the financial statements for discussion of benefit terms and assumptions.

Changes in Assumptions - See Note 10 to the financial statements for discussion of benefit terms and assumptions.

NEW SCHOOL HIGH

SCHEDULE OF REVENUES – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021

Local Sources		
Earnings on investments	$	46
Other local revenues		18,213
Total local sources		18,259
State Sources		
At risk		11,136
Special education		1,932
State aid and other grants		598,278
Total state sources		611,346
Federal Sources		
IDEA		46,442
Title II A		1,262
Other program revenue		26,721
Total federal sources		74,425
Total general fund revenues	$	704,030

NEW SCHOOL HIGH

SCHEDULE OF EXPENDITURES – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021

Basic Programs		
Purchased services	$	242,982
Supplies and materials		319
Non-depreciable capital assets		25,000
Other expenditures		2,337
Total basic programs		270,638
Added Needs		
Purchased services		52,793
Supplies and materials		26
Other expenditures		1,590
Total added needs		54,409
Pupil Support Services		
Guidance services		20,975
Health services		1,533
Psychological services		505
Speech pathology and audiology		3,734
Social work services		5,695
Total pupil support services		32,442
Instructional Staff Support Services		
Purchased services		2,170
General Administration		
Purchased services		41,741
School Administration		
Purchased services		88,885
Rentals		2,784
Supplies and materials		593
Other expenditures		1,739
Total school administration		94,001

NEW SCHOOL HIGH

SCHEDULE OF EXPENDITURES - GENERAL FUND - Continued
FOR THE YEAR ENDED JUNE 30, 2021

Business Support Services	
Purchased services	52,030
Other expenditures	776
Total business support services	52,806
Operations and Maintenance	
Purchased services	13,605
Repairs and maintenance	5,465
Rentals	42,979
Supplies and materials	12,430
Total operations and maintenance	74,479
Pupil Transportation Services	
Rentals	33
Central Support Services	
Purchased services	6,935
Repairs and maintenance	2,275
Other expenditures	296
Total central support services	9,506
Prior Period Adjustments	10,225
Total general fund expenditures	$ 642,450

NEW SCHOOL HIGH

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2021

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1) Audit findings that have been fully corrected:

Fiscal Year:	2020
Finding Number:	2020 – 001
Finding:	The budget while amended during the year, did not accurately reflect actual final expenditures. The effect was a lower final fund balance than anticipated and budgeted for.
Comments:	The Academy reviewed its accounting procedures to ensure actual results against budgeted amounts and timely reviewed budget amendments throughout the year.
