

CHARLEVOIX MONTESSORI ACADEMY FOR THE ARTS
CHARLEVOIX, MICHIGAN

FINANCIAL STATEMENTS
JUNE 30, 2021



SCHULZE, OSWALD, MILLER & EDWARDS PC
CERTIFIED PUBLIC ACCOUNTANTS
989-354-8707

CHARLEVOIX MONTESSORI ACADEMY FOR THE ARTS
CHARLEVOIX, MICHIGAN
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INDEPENDENT AUDITORS' REPORT

Board of Education
Charlevoix Montessori Academy for the Arts
Charlevoix, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, major fund, and aggregate remaining fund information of Charlevoix Montessori Academy for the Arts (the "Academy"), as of and for the year ended June 30, 2021 and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements 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 includes 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 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 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, major fund, and aggregate remaining fund of Charlevoix Montessori Academy for the Arts, as of June 30, 2021, and the respective changes in financial position, thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter-Change in Principle

As discussed in Note 16 to the financial statements, Charlevoix Montessori Academy for the Arts implemented Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

Other Matters

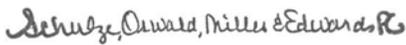
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Budgetary Comparison Schedule – General Fund, pension schedules and other postemployment benefits schedules as listed 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2021, on our consideration of Charlevoix Montessori Academy for the Art'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 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 Charlevoix Montessori Academy for the Art's internal control over financial reporting and compliance.



Schulze Oswald, Miller & Edwards PC
Alpena, Michigan
September 28, 2021

Overview of the Basic Financial Statements

Charlevoix Montessori Academy for the Art's (the "Academy's"), basic financial statements include government-wide statements, fund financial statements and notes to the financial statements. This report also contains required and other supplemental information in addition to the basic financial statements.

Government-wide financial statements. The Government-wide financial statements report information on all of the Academy's non-fiduciary funds. The government-wide statements are designed to provide readers with a broad overview of the Academy's finances, in a manner similar to a private-sector business.

The Statement of Net Position displays all of the Academy's assets and liabilities, with the difference reported as net position. All long-term assets and debt obligations are presented.

The Statement of Activities focuses on the gross and net cost of the various functions within the Academy (instruction, support services, etc.), which are supported by the Academy's general revenues (unrestricted state aid, etc.).

Fund financial statements. The fund financial statements report on the governmental funds, with an emphasis on major funds. Major funds are determined by the level of activity within the various funds. The focus of the fund financial statements is on the sources and uses of funds during the current year.

Charlevoix Montessori Academy for the Arts maintains two governmental funds, the general fund and the student activities fund. The student activities fund is a special revenue fund maintained for the purpose of tracking activities of various clubs.

Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund which is considered a major fund. The student activities fund is a non-major fund but because it is the only non-major fund, it is presented with the general fund.

Notes to the financial statements. The notes provide additional information which is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 15 - 31 of this report.

Government-Wide Financial Analysis

The table below summarizes the Academy's net position as of June 30, 2021 with comparative data from June 30, 2020:

**Charlevoix Montessori Academy for the Arts
Statement of Net Position
June 30, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
Assets		
Current assets	\$ 273,310	\$ 127,055
Capital assets, net of accum dep.	<u>358,967</u>	<u>376,613</u>
Total assets	<u>632,277</u>	<u>503,668</u>
Deferred Outflows of Resources		
Deferred charges on refunding	3,474	3,118
Related to pensions	3,174	-
Related to OPEB	<u>333</u>	<u>7,244</u>
Total deferred outflows of resources	<u>6,648</u>	<u>10,362</u>
Liabilities		
Current liabilities	72,677	103,192
Noncurrent liabilities	<u>318,631</u>	<u>328,024</u>
Total liabilities	<u>391,308</u>	<u>431,216</u>
Deferred Outflows of Resources		
Related to pensions	11,584	16,923
Related to OPEB	<u>4,323</u>	<u>5,978</u>
Total deferred outflows of resources	<u>15,907</u>	<u>22,901</u>
Net Position		
Net investment in capital assets	28,144	37,123
Unrestricted	<u>203,566</u>	<u>22,790</u>
Total Net Position	<u>\$ 231,710</u>	<u>\$ 59,913</u>

At the end of the fiscal year, Charlevoix Montessori Academy for the Arts reports an overall balance in all categories of net position of \$231,710. The first portion of the Academy's net position is its investment in capital assets (land, building and equipment) less any related debt used to acquire those assets that is still outstanding. The Academy uses these capital assets in providing educational services; consequently these assets are not available for future spending.

CHARLEVOIX MONTESSORI ACADEMY FOR THE ARTS**Management's Discussion and Analysis
Year Ended June 30, 2021**

The results for the Academy as a whole are reported in the Statement of Activities, for the year ended June 30, 2021 with comparative data for June 30, 2020 as summarized below:

**Charlevoix Montessori Academy for the Arts
Statement of Activities
Year Ended June 30, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
Revenue		
Program Revenue:		
Charges for services	\$ -	\$ -
Grants and contributions	7,963	25,114
General Revenue:		
State and federal aid, unrestricted	531,916	416,678
Interest and investment earnings	-	-
Other revenue	78,992	50,133
Total revenues	<u>618,871</u>	<u>491,925</u>
Function/ Program Expenses		
Instruction	269,060	225,280
Support Services	148,543	144,546
Interest / fees on long-term debt	21,759	20,430
Depreciation - unallocated	17,646	17,502
Student activity expense	1,240	-
Deferred charges on refunding	(356)	1,040
Total expenses	<u>457,892</u>	<u>408,798</u>
Change in net position	160,979	83,127
Net position, beginning of year	<u>70,731</u>	<u>(23,214)</u>
Net position, end of year	\$ <u>231,710</u>	\$ <u>59,913</u>

As reported above, the Academy recorded \$618,871 of revenues. The majority of the Academy's revenues were from unrestricted state aid (85%), other revenue (14%) and grants and contributions (1%).

The Academy incurred \$457,892 of expenses. The increase in expenses relates to required spending as related to the terms of grant income.

Fund Financial Analysis

As of year-end, the governmental fund reported a fund balance of \$35,329 which is \$86,552 more than the beginning of the year.

CHARLEVOIX MONTESSORI ACADEMY FOR THE ARTS**Management's Discussion and Analysis
Year Ended June 30, 2021****General Fund Budgetary Highlights**

Final budgeted revenues were more than originally budgeted due to an increased State aid. Final budgeted expenditures were likewise more than originally budgeted.

The final budgeted revenue was less than the actual amounts by \$5,821, and final budgeted expenditures were less than actual amounts by \$40,129, creating a positive variance of \$34,308.

Capital Assets

At June 30, 2021 the Academy had \$358,967 net of accumulated depreciation, invested in capital assets. The following table summarizes the capital asset activity for the year:

**Charlevoix Montessori Academy for the Arts
Year Ended June 30, 2021**

	<u>July 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2021</u>
Land and improvements	\$ 75,000	\$ -	\$ -	\$ 75,000
Buildings and improvements	609,768	-	-	609,768
Furniture and equipment	41,130	-	-	41,130
Total capital assets	725,898	-	-	725,898
Less accum. depreciation	349,285	(17,646)	-	366,931
Net capital assets	\$ 376,614	\$ (17,646)	\$ -	\$ 358,967

Long-Term Debt Outstanding

At the end of the year, the Academy had \$330,823 outstanding long-term debt.

Below is the long-term debt activity for the year:

**Charlevoix Montessori Academy for the Arts
Year Ended June 30, 2021**

	<u>July 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2021</u>
Building mortgage	\$ 339,490	\$ -	\$ 8,667	\$ 330,823
Total leases payable	\$ 339,490	\$ -	\$ 8,667	\$ 330,823

The reduction in debt was attributable to regular debt payments.

Economic Factors

The economic factors most impacting Charlevoix Montessori Academy for the Arts in regard to this financial report are our sources of funding and student enrollment. As a public school academy, the sources of funding differ significantly from those available to traditional public schools. Public school academies cannot seek bonds to pay for facilities or additional needs. Approximately 90% of the total funds available to appropriate are generated by the State foundation allowance. This amount is calculated based on student enrollment and serves as our largest source of funding for both operations and facilities. Public school academies do receive services from the local Intermediate School District, and from Federal Title programs for which we qualify. These funds amount to less than 5% of our total funding.

Over the past several years, Charlevoix Montessori Academy for the Arts experienced a decline in enrollment. Our financial challenges are due to the nearly exclusive reliance on the per-pupil foundation allowance for all operating and building expenses. With our decreased revenue, the Academy did not adequately cut expenditures in order to meet the changes in revenue. We believe our Montessori elementary program and arts focus will attract new students to benefit from our program, which will increase our student count. For the 2021-2022 school year, we will endeavor to continue to provide the exemplary education that a Montessori program can provide and to take advantage of publicity opportunities-including community involvement in local festivals and programs, press releases, and courtesy photos of events provided to local newspapers.

Request for Information

This financial report is designed to provide a general overview of the Academy's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Charlevoix Montessori Academy for the Arts
Leslie Herriman
115 W. Hurlbut
Charlevoix, MI 49720
(231) 547-9000

CHARLEVOIX MONTESSORI ACADEMY FOR THE ARTS
CHARLEVOIX, MICHIGAN
GOVERNMENT-WIDE FINANCIAL STATEMENTS
STATEMENT OF NET POSITION
JUNE 30, 2021

<u>ASSETS</u>	<u>GOVERNMENTAL ACTIVITIES</u>
Cash and investments	\$ 178,221
Accounts receivable	-
Due from governmental units	95,089
Prepaid expenses	-
Capital assets - net	358,967
TOTAL ASSETS	632,277
<u>DEFERRED OUTFLOW OF RESOURCES</u>	
Related to pensions	3,174
Related to OPEB	333
Deferred charges on refund	3,474
TOTAL DEFERRED OUTFLOW OF RESOURCES	6,648
<u>LIABILITIES</u>	
Accounts payable	21,146
Accrued expenses	39,339
Unearned revenue	-
Long-term liabilities	
Due within one year	12,192
Due in more than one year	318,631
TOTAL LIABILITIES	391,308
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Related to pensions	11,584
Related to OPEB	4,323
TOTAL DEFERRED INFLOWS OF RESOURCES	15,907
<u>NET POSITION</u>	
Invested in capital assets, net of related debt	28,144
Unrestricted	203,566
TOTAL NET POSITION	\$ 231,710

SEE ACCOMPANYING NOTES WHICH ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.

CHARLEVOIX MONTESSORI ACADEMY FOR THE ARTS
CHARLEVOIX, MICHIGAN
GOVERNMENT-WIDE FINANCIAL STATEMENTS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

<u>FUNCTIONS/PROGRAMS</u>	<u>PROGRAM REVENUES</u>		<u>GOVERNMENTAL</u>
	<u>EXPENSES</u>	<u>CHARGES FOR</u> <u>SERVICES</u>	<u>ACTIVITIES</u> <u>NET (EXPENSE)</u> <u>REVENUE AND</u> <u>CHANGE IN</u> <u>NET POSITION</u>
Governmental Activities			
Instruction	\$ 269,060	\$ -	\$ 7,963
Support services	148,543	-	-
Student activity expense	1,240	-	-
Deferred charges on refunding	(356)	-	-
Interest on long term debt	21,759	-	-
Depreciation - unallocated	17,646	-	-
	<u>457,892</u>	<u>-</u>	<u>7,963</u>
Total Governmental Activities	\$ 457,892	\$ -	\$ 7,963
GENERAL REVENUES			
State and federal aid, unrestricted			531,916
Interest and investment earnings			-
Other			78,992
TOTAL GENERAL REVENUES			<u>610,908</u>
CHANGE IN NET POSITION			160,979
NET POSITION - Beginning of Year, as restated			<u>70,731</u>
NET POSITION - End of Year			<u>\$ 231,710</u>

SEE ACCOMPANYING NOTES WHICH ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.

CHARLEVOIX MONTESSORI ACADEMY FOR THE ARTS
CHARLEVOIX, MICHIGAN
FUND FINANCIAL STATEMENTS
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2021

	<u>GENERAL</u>	<u>SPECIAL REVENUE STUDENT ACTIVITIES</u>	<u>TOTAL</u>
<u>ASSETS</u>			
Cash and investments	\$ 178,040	\$ 181	\$ 178,221
Due from other governmental units	95,089	-	95,089
Due from other funds	-	9,645	9,645
TOTAL ASSETS	\$ 273,129	\$ 9,826	\$ 282,955
<u>LIABILITIES AND FUND BALANCES</u>			
LIABILITIES:			
Accounts payable	\$ 21,146	\$ -	\$ 21,146
Accrued expenses	39,339	-	39,339
Unearned revenue	-	-	-
Due to other funds	9,645	-	9,645
TOTAL LIABILITIES	70,130	-	70,130
FUND BALANCES:			
Committed-Student Activities	-	9,826	9,826
Unassigned - General Fund	202,999	-	202,999
TOTAL FUND BALANCES	202,999	9,826	212,825
TOTAL LIABILITIES AND FUND BALANCES	\$ 273,129	\$ 9,826	\$ 282,955

SEE ACCOMPANYING NOTES WHICH ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.

CHARLEVOIX MONTESSORI ACADEMY FOR THE ARTS
CHARLEVOIX, MICHIGAN
FUND FINANCIAL STATEMENTS
RECONCILIATION OF GOVERNMENTAL FUND BALANCES TO DISTRICT-WIDE GOVERNMENT
ACTIVITIES NET POSITION
JUNE 30, 2021

Total Governmental Fund Balances	\$	212,825
<p>Amounts reported for governmental activities in the statement of net position are different because:</p> <p>Capital assets used in governmental activities are not financial resources, and are not reported in the funds:</p>		
The cost of capital assets is		725,898
Accumulated depreciation is		(366,931)
<p>Deferred outflows used in governmental activities are not financial resources and therefore are not reported in the governmental funds:</p>		
Related to pensions		3,197
Related to OPEB		333
Deferred charges on refund		3,118
<p>Long term liabilities are not due and payable in the current period and are not reported in the funds:</p>		
Building mortgage		(330,823)
<p>Deferred inflows used in governmental activities are not recognized as current resources and therefore are not reported in the governmental funds:</p>		
Related to pensions		(11,584)
Related to OPEB		(4,323)
		(15,907)
Net Position of Governmental Activities	\$	231,710

SEE ACCOMPANYING NOTES WHICH ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.

CHARLEVOIX MONTESSORI ACADEMY FOR THE ARTS
CHARLEVOIX, MICHIGAN
FUND FINANCIAL STATEMENTS
COMBINED STATEMENT OF REVENUES, EXPENDITURES, OTHER FINANCING SOURCES
(USES), AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	GENERAL	SPECIAL REVENUE STUDENT ACTIVITIES	TOTAL GOVERNMENTAL FUNDS
REVENUES:			
Local sources	\$ 11,711	\$ -	\$ 11,711
State sources	531,916	-	531,916
Federal sources	65,030	-	65,030
Interdistrict sources	9,966	-	9,966
Student Activity Income	-	248	248
TOTAL REVENUES	618,623	248	618,871
EXPENDITURES:			
Current:			
Instruction	272,340	-	272,340
Support services	148,543	-	148,543
Capital Outlay	-	-	-
Debt service	30,070	-	30,070
Student Activity Expense	-	1,240	1,240
TOTAL EXPENDITURES	450,953	1,240	452,193
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	167,670	(992)	166,678
OTHER FINANCING SOURCES (USES):			
Transfers In	-	-	-
Transfers Out	-	-	-
NET CHANGES IN FUND BALANCES	167,670	(992)	166,678
FUND BALANCES - Beginning of year	35,329	10,818	46,147
FUND BALANCES - End of year	\$ 202,999	\$ 9,826	\$ 212,825

SEE ACCOMPANYING NOTES WHICH ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.

CHARLEVOIX MONTESSORI ACADEMY FOR THE ARTS
CHARLEVOIX, MICHIGAN
FUND FINANCIAL STATEMENTS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

Net Change in Fund Balances - Total Governmental Funds \$ 166,678

Amounts reported for governmental activities are different because:

Government funds report capital outlays as expenditures;
in the statement of activities these costs are allocated
over their estimated useful lives as depreciation.

Depreciation expense	\$	(17,646)	
Capital Outlay		-	(17,646)

Payments on building mortgage are not an expense in the government wide statements where they reduce long term debt	8,667
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The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transactions, however, has any effect of premiums, discounts, and similar items when debt is first issued, where as these amounts are deferred and amortized in the statement of activities. The effect of these differences is the treatment of long-term debt and related items as follows:

Amortization of deferred charges	-
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds

Pension related items	1,292
OPEB related items	1,988

Change in Net Position of Governmental Activities	\$	160,979
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CHARLEVOIX MONTESSORI ACADEMY FOR THE ARTS
CHARLEVOIX, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Charlevoix Montessori Academy for the Arts (the "Academy"), previously Northwest Academy, operates under a Board-Administrator form of government and provides education services to its residents. The accounting policies of the Academy conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant policies used by the Academy:

REPORTING ENTITY

Criteria for determining if other entities are potential component units which should be reported within the Academy's basic financial statements are identified and described in the Governmental Accounting Standards Board's (GASB) Codification of Governmental Accounting and Financial Reporting Standards, Sections 2100 and 2600. The application of these criteria provides for identification of any entities for which the Academy is financially accountable and other organizations that the nature and significance of their relationship to the Academy are such that exclusion would cause the Academy's basic financial statements to be misleading or incomplete. The Academy has no component units.

BASIC FINANCIAL STATEMENTS - OVERVIEW

The Academy's basic financial statements include both government-wide (reporting the Academy as a whole) and fund financial statements (reporting the Academy's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support. All the Academy's activities are considered governmental activities.

BASIC FINANCIAL STATEMENTS - GOVERNMENT-WIDE STATEMENTS

The government-wide financial statements report information on all of the nonfiduciary activities of the primary government. These statements are reported using the economic resources measurement focus and the full accrual basis of accounting. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. The government-wide focus is more on operational efficiency, the sustainability of the Academy as an entity and the change in the Academy's net position resulting from the current year's activities.

In the government-wide Statement of Net Position, the governmental activities column is presented on a consolidated basis. Due to the full accrual, economic resource basis, all long-term assets and receivables, as well as long-term debt and obligations are recognized. The Academy's net position are reported in three parts - invested in capital assets, net of related debt; restricted net position; and unrestricted net position. The Academy first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities, due to the full accrual, economic resource basis, records revenue when it is earned and expenses when a liability is incurred, regardless of the timing of related cash flows. The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers who purchase, use or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, unrestricted State Aid and other items not properly included among program revenues are reported as general revenue. Any net costs, by function, are allocated to the general revenue.

CHARLEVOIX MONTESSORI ACADEMY FOR THE ARTS
CHARLEVOIX, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

BASIC FINANCIAL STATEMENTS - FUND FINANCIAL STATEMENTS

The financial transactions of the Academy are reported in individual funds in the fund financial statements. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenues and expenditures. The emphasis in the fund financial statements is on the major funds in the governmental activities category. GASB No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures of the governmental funds) for the determination of major funds. The Academy's major fund, as described below, is the General Fund. The Academy does not have any non-major funds.

The governmental funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded in the accounting period in which they become both available and measurable. Revenues are available when received within the current period or within 60 days after year end. Expenditures are recorded in the accounting period in which the liability is incurred. The exception to this general rule is principal and interest on general obligation long-term debt, if any, is recognized when due.

The focus of the fund financial statements is upon the determination of financial position and changes in financial position (sources, uses, and balances of financial resources).

Government resources are allocated to and accounted for in individual funds based upon 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 financial statements in this report, into generic fund types and broad fund categories as follows:

GOVERNMENTAL FUNDS

Governmental funds are those funds 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 governmental funds.

General Fund - The General Fund is used to record the general operation of the Academy pertaining to education and those operations not provided for in other funds. The General Fund is a major fund of the Academy.

Student Activities Agency Fund- The Academy presently maintains a Student Activities Special Revenue Fund to record the transactions of student groups for school and school-related purposes.

CHARLEVOIX MONTESSORI ACADEMY FOR THE ARTS
CHARLEVOIX, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

ASSETS, LIABILITIES, AND FUND BALANCES

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, demand deposits and other accounts that have the general characteristics of demand deposits.

CAPITAL ASSETS

Capital assets, which include land, buildings, equipment and vehicles are reported in the Statement of Net Position in the government-wide financial statements. Capital assets are defined by the Academy as assets that are purchased or acquired with an original cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date donated. Additions, improvements and other capital outlay that significantly extend the useful life of an asset, or increase its capacity or efficiency, are capitalized. Other costs incurred for repairs and maintenance is expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings and improvements	20 - 50 years
Furniture and other equipment	5 - 15 years

FUND BALANCES

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not spendable form - prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted fund balance. This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance. These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the School Board - the government's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the board removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned fund balance. This classification reflects the amounts constrained by the Academy's "intent" to be used for specific purposes, but are neither restricted nor committed. The School Board has the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance. This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, it is the Academy's policy to use externally restricted resources first, then unrestricted resources- committed, assigned, and unassigned - in order as needed.

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

USE OF ESTIMATES

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

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial position will sometimes report a separate section of deferred outflows of resources. This separate financial statement element, deferred outflow of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense or expenditure) until then. The Academy has one item that qualifies for reporting in this category. It is the pension contributions reported in the government-wide statement of net position. A deferred outflow is recognized for pension contributions made after the plan's measurement date, but before the fiscal year end. The amount is amortized in the plan year in which it applies.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. The separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (receipts) until that time. The Academy has two items that qualifies for reporting in this category. It is the future resources yet to be recognized in relation to the pension and OPEB actuarial calculation. The future resources arise from differences in the estimates used by the actuary to calculate the pension and OPEB liability and the actual results. The amounts are amortized over a period determined by the actuary.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

The Academy is required to adopt a budget for the General Fund. An annual budget is adopted on a basis consistent with generally accepted accounting principles and State law for this fund. State law requires the Academy to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits Academies to amend their budgets during the year. All annual appropriations lapse at year end.

The presentation of budgetary information is required for the General Fund. In the required supplementary information section, the Academy's actual and budgeted expenditures for the General Fund are presented.

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NOTE 3 - CASH AND INVESTMENTS

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

	Governmental Activities	District Total
Cash and investments	\$ 178,221	\$ 178,221
Total	\$ 178,221	\$ 178,221

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. At the year-end, the carrying amount of the Academy's deposits for governmental activities was \$178,221 and the bank balance was also \$183,718, all of which was covered by federal depository insurance. State statutes prohibit security in the form of collateral, surety bonds or another form be taken for the deposit of public funds.

NOTE 4 - CAPITAL ASSETS

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

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021
Assets not being depreciated:				
Land and improvements	\$ 75,000	\$ -	\$ -	\$ 75,000
Capital assets being depreciated:				
Buildings and improvements	609,768	-	-	609,768
Furniture and equipment	41,130	-	-	41,130
Subtotal	650,899	-	-	650,899
Accumulated depreciation:				
Buildings and improvements	311,310	16,642	-	327,952
Furniture and equipment	37,975	1,004	-	38,979
Subtotal	349,285	17,646	-	366,931
Net capital assets being depreciated	301,614	(17,646)	-	283,968
Governmental activities net capital assets	\$ 301,614	\$ (17,646)	\$ -	\$ 358,967

Governmental activities depreciation expense was charged as follows:

Unallocated	\$ 17,646
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NOTE 5 - SHORT-TERM DEBT - BRIDGE LOAN

The Academy sometimes obtains a bridge loan in advance of State aid receipts, depositing the proceeds in the General Fund. This method of financing was not needed during the fiscal year ended June 30, 2021.

	Beginning Balance	Borrowed	Paid	Ending Balance
Bridge loan	\$ -	\$ -	\$ -	\$ -

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NOTE 6 - LONG-TERM DEBT

The following is a summary of the Academy's governmental activities long-term debt transactions for the year ended June 30, 2021:

Governmental Activities:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amount Due Within One</u>
Building mortgage	\$ 339,490	\$ -	\$ 8,667	\$ 330,823	\$ 12,112
	<u>\$ 339,490</u>	<u>\$ -</u>	<u>\$ 8,667</u>	<u>\$ 330,823</u>	<u>\$ 12,112</u>

Long-term debt payable at June 30, 2021, is comprised of the following loan:

Note Payable

On July 27, 2018, the Academy refinanced their mortgage with TCF Bank, formerly known as Chemical Bank. The new principal amount is \$362,000, with 5.5% interest for 60 months and a maturity date of July 27, 2023.

There is a balloon payment due at the end of the 60 month period of \$290,016

\$ 330,823

The annual requirements to amortize all governmental obligations at June 30, 2021 are as follows:

Total Governmental Activities:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	12,112	17,769	29,881
2023	12,796	17,086	29,882
2024	305,915	1,392	307,307
Total	<u>\$ 330,823</u>	<u>\$ 36,247</u>	<u>\$ 367,070</u>

NOTE 7 - RELATED PARTIES

The Academy is related to Advance Educational Services who contracted with the Academy for most of its personnel.

Expenditures of \$450,953 were incurred for the year ending June 30, 2021. The Academy outsourced all of their bookkeeping services to Hoffman McLane CPA Firm. Expenditures totaling \$3,720 were incurred for the year ending June 30, 2021.

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NOTE 8 - FUND BALANCE CLASSIFICATIONS

Amounts for specific purposes by fund and fund balance classifications for the year ended June 30, 2021, are as follows:

Classification/ Fund	Purpose	Amount
Committed-student activities		\$ 9,826
Unassigned		
General Fund		202,999
		\$ 212,825

NOTE 9 - RISK MANAGEMENT

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which it obtains coverage from commercial insurance companies. The Academy has had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years.

NOTE 10 - DEFINED PENSION PLAN AND POSTEMPLOYMENT BENEFITS

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. MPSERS issues a publicly available Comprehensive Annual Financial Report that can be obtained on the ORS website at www.michigan.gov/orsschools.

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.

Benefits Provided - Overall

Participants are enrolled in one of multiple plans based on date of hire and certain voluntary elections. A summary of the pension plans offered by MPSERS is as follows:

<u>Plan Name</u>	<u>Plan Type</u>	<u>Plan Status</u>
Basic	Defined Benefit	Closed
Member Investment Plan (MIP)	Defined Benefit	Closed
Pension Plus	Hybrid	Closed
Pension Plus 2	Hybrid	Open
Defined Contribution	Defined Contribution	Open

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NOTE 10 - DEFINED PENSION PLAN AND POSTEMPLOYMENT BENEFITS (continued)

Benefits Provided - Pension

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. Retirement benefits for DB plan members are determined by final average compensation and years of service. 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.

Prior to Pension Reform of 2010 there were two plans commonly referred to as the Basic Plan member's contributions range from 0% - 4%. On January 1, 1987, the Member Investment Plan (MIP) was enacted. MIP members enrolled prior to January 1, 1990, contribute at a permanently fixed rate of 3.9% of gross wages, Members first hired January 1, 1990, or later including Pension Plus Members, contribute at various graduated permanently fixed contribution rates from 3.0% - 7.0%.

Pension Reform 2010

On May 19, 2010, the Governor signed Public Act 75 of 2010 into law. As a result, any member of the Michigan Public School Employees' Retirement System (MPERS) who became a member of MPERS after June 30, 2010 is a Pension Plus member. Pension Plus is a hybrid plan that contains a pension component with an employee contributions (graded, up to 6.4% of salary) and a flexible and transferable defined contribution (DC) tax-deferred investment account that earns an employer match of 50% (up to 1% of salary) on employee contributions. Retirement benefits for Pension Plus members are determined by final average compensation and years of service. Disability and survivor benefits are available to Pension Plus members.

Pension Reform 2012

On September 4, 2012, the Governor signed Public Act 300 of 2012 into law. The legislation grant all active members who first became a member before July 1, 2010 and who earned service credit in the 12 month 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 pension. Any changes to a member's pension are effective as of the member's transition date, which is defined as the first day of the pay period that began on or after February 2, 2013.

Under the reform, members voluntarily chose to increase, maintain, or stop their contributions to the pension fund.

An amount determined by the member's election of Option 1, 2, 3, or 4 described below.

Option 1 - Members voluntarily elected to increase their contributions to the pension fund as noted below, and retain the 1.5% pension factor in their pension formula. The increase contribution would begin as of their transition date and continue until they terminate public school employment.

- Basic plan members: 4% contribution
- Member Investment Plan (MIP)-Fixed, MIP-Graded, and MIP Plus members: a flat 7% contribution

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NOTE 10 - DEFINED PENSION PLAN AND POSTEMPLOYMENT BENEFITS (continued)

Option 2 - Members voluntarily elected to increase their contributions to the pension fund as stated in Option 1 and retain the 1.5% pension factor in their pension formula. The increase contribution would begin as of their transition date and contribute until they reach 30 years of service. If and when they reach 30 years of service, their contribution rates will return to the previous level in place as of the day before their transition date (0% for Basic plan members, 3.9% for MIP-Fixed, up to 4.3% for MIP-Graded, or up to 6.4% for MIP-Plus). The pension formulas for any service thereafter would include a 1.25% pension factor.

Option 3 - Members voluntarily elected not to increase their contributions to the pension fund and maintain their current level of contribution to the pension fund. The pension formula for their years of service as of the pension formula for any service thereafter will include a 1.25% pension factor.

Option 4 - Members voluntarily elected to no longer contribute to the pension fund and therefore are switched to the Defined Contribution plan for future service as of their transition date. As a DC participant they receive a 4% employer contribution to the tax-deferred 401(k) account and can choose to contribute up to the maximum amounts permitted by the IRS to a 457 account. They vest in employer contributions and related earnings in their 401(k) account based on the following schedule: 50% at 2 years, 75% at 3 years, and 100% and related earnings in their 457 account. Upon retirement, if they meet age and service requirements (including their total years of service), they would also receive a pension (calculated based on years of service and final average compensation as of the day before their transition date and a 1.5% pension factor).

Members who did not make an election before the deadline defaulted to Option 3 as described above. Deferred or nonvested public school employees on September 3, 2012, who return to public school employment on or after September 4, 2012, will be considered as if they had elected Option 3 above. Returning members who made the retirement plan election will retain whichever option they chose.

Employees who first worked on or after September 4, 2012 chose between two retirement plans: the Pension Plus Plan and a Defined Contribution that provides a 50% employer match up to 3% of salary on employee contributions.

Final Average Compensation (FAC) - Average of highest 60 consecutive months (36 months for MIP members). FAC is calculated as of the last day worked unless the member elected Option 4, in which case the FAC is calculated at the transition date.

Pension Reform 2017

On July 13, 2017, the Governor signed Public Act 92 of 2017 into law. The legislation closes the current hybrid plan (Pension Plus) to newly hired employees as of February 1, 2018 and creates a new optional revised hybrid plan with similar plan benefit calculations but containing a 50/50 cost share between the employees and the employer, including the cost of future unfunded liabilities. The assumed rate of return on the new hybrid plan is 6%. Further, the law provides that, under certain conditions, the new hybrid plan would close to new employees if the actuarial funded ratio falls below 85% for two consecutive years. The law includes other provisions to the retirement eligibility age, plan assumptions, and unfunded liability payment methods.

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NOTE 10 - DEFINED PENSION PLAN AND POSTEMPLOYMENT BENEFITS (continued)

Benefits Provided - Other postemployment benefit (OPEB)

Benefits 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 health care 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.

Retiree Healthcare Reform of 2012

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 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% employee 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 will be deposited into their 401(k) accounts.

Regular Retirement (no reduction factor for age)

Eligibility - A Basic plan member may retire at age 55 with 30 years credited service; or age 60 with 10 years credited service. For Member Investment Plan (MIP) members, age 46 with 30 years credited service; or age 60 with 10 years credited service; or age 60 with 5 years of credited service provided member worked through 60th birthday and has credited service in each of the last 5 years. For Pension Plus Plan (PPP) members, age 60 with 10 years of credited service.

Annual Amount - The annual pension is paid monthly for the lifetime of a retiree. The calculation of a member's pension is determined by their pension election under PA 300 of 2012.

Member Contributions

Depending on the plan selected, member contributions, range from 0% - 7% for pension and 0% - 3% for other postemployment benefits. Plan members electing the defined contribution plan are not required to make additional contributions.

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NOTE 10 - DEFINED PENSION PLAN AND POSTEMPLOYMENT BENEFITS (continued)

Employer Contributions

Employers are required by Public At 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of members and retiree Other Post-Employment Benefits (OPEB). 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 normal cost is the annual cost assigned under the actuarial funding method, to the current and subsequent plan years. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis.

Pension and OPEB contributions made in the fiscal year ending September 30, 2020 were determined as of the September 30, 2017 actuarial valuations. The pension and OPEB benefits, the unfunded (overfunded) actuarial accrued liabilities as of September 30, 2017 are amortized over a 19-year period beginning October 1, 2019 and ending September 30, 2038.

School districts' contributions are determined based on employee elections. There are several different benefit options included in the plan available to employees based on date of hire. Contribution rates are adjusted annually by the ORS. The range of rates is as follows:

	Pension	Other postemployment benefit
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%

The Academy's pension contribution for the year ended June 30, 2021 were equal to the required contribution total. Pension contributions were approximately \$700, with \$700 specifically for the Defined Benefit Plan.

The Academy's OPEB contribution for the year ended June 30, 2021 were equal to the required contribution total. OPEB contributions were approximately \$300, with \$0 specifically for the Defined Benefit Plan.

These amounts, for both pension and OPEB benefit, include contributions funded from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate (100% for pension and 0% for OPEB).

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

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 date of September 30, 2019 and rolled-forward using generally accepted actuarial procedures. The District'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.

	September 30, 2019	September 30, 2020
MPSERS (Plan) Non-University Employers		
Total Pension Liability	\$ 83,442,507,212	\$ 85,263,240,497
Plan Fiduciary Net Position	\$ 50,325,869,388	\$ 50,912,152,703
Net Pension Liability	\$ 33,116,637,824	\$ 34,351,087,794
Proportionate Share	0.00000%	0.00000%
Net Pension liability for the Academy	\$ -	\$ -

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NOTE 10 - DEFINED PENSION PLAN AND POSTEMPLOYMENT BENEFITS (continued)

For the year ended June 30, 2021, the Academy recognized a pension benefit of \$1,292. At June 30, 2021, the Academy reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	-
Changes in proportion and differences between Academy and proportionate share of contributions	2,474	11,584
Academy's contributions subsequent to the measurement date	700	-
Total	\$ 3,174	\$ 11,584

\$700, reported as deferred outflows of resources related to pensions resulting from Academy employer contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

Other amounts reported as deferred outflows of resources and (deferred inflows) of resources related to pensions will be recognized in pension expense as follows:

Deferred (Inflow) and Deferred Outflow of Resources by Year
 (To be Recognized in Future Pension Expenses)

Year Ending September 30	Amount
2021	\$ (2,864)
2022	(4,487)
2023	(1,759)
2024	-
Total	\$ (9,110)

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.

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NOTE 10 - DEFINED PENSION PLAN AND POSTEMPLOYMENT BENEFITS (continued)

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

OPEB Liabilities

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 date of September 30, 2019 and rolled-forward using generally accepted actuarial procedures. The District'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.

MPSERS (Plan) Non-University Employers	September 30, 2019	September 30, 2020
Total OPEB Liability	\$ 13,925,860,688	\$ 13,206,903,534
Plan Fiduciary Net Position	\$ 6,748,112,668	\$ 7,849,636,555
Net OPEB Liability	\$ 7,177,748,020	\$ 5,357,266,979
Proportionate Share	0.00000%	0.00000%
Net OPEB liability for the Academy	\$ -	\$ -

For the year ending June 30, 2021, the Academy recognized OPEB benefit of \$1,988. 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	\$ -	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on OPEB plan investments	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	4,323
Employer contributions subsequent to the measurement date	333	-
Total	\$ 333	\$ 4,323

\$333, reported as deferred outflows of resources related to OPEB resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year.

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NOTE 10 - DEFINED PENSION PLAN AND POSTEMPLOYMENT BENEFITS (continued)

Other amounts reported as deferred outflows of resources and (deferred inflows) of resources related to OPEB will be recognized in OPEB expense as follows:

Deferred (Inflow) and Deferred Outflow of Resources by Year
(To be Recognized in Future OPEB Expenses)

<u>Year Ending September 30</u>	<u>Amount</u>
2021	\$ (1,655)
2022	(1,657)
2023	(1,000)
2024	(11)
2025	-
Total	<u>\$ (4,323)</u>

Actuarial Assumptions

Investment rate of return for Pension - 6.80% a year, compounded annually net of investment and administrative expenses for the Non-Hybrid groups and 6.0% a year, compounded annually net of investment and administrative expense for the Hybrid group (Pension Plus plan).

Investment rate of return for OPEB - 6.95% a year, compounded annually net of investment and administrative expenses.

Salary increase - The rate of pay increase used for individual members is 2.75% - 11.55%, including wage inflation at 2.75%.

Inflation - 3.0%

Mortality assumptions

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

Disabled Retirees - RP-2014 Male and Female Disabled Annuitant Mortality Tables scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Experience study - The annual actuarial valuation report of the System used for these statements is dated September 30, 2018. 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 September 30, 2018 valuation.

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NOTE 10 - DEFINED PENSION PLAN AND POSTEMPLOYMENT BENEFITS (continued)

The long-term expected rate of return on pension and other postemployment benefit plan investments - The pension rate was 6.80% (MIP, Basic, and Pension Plus Plan) and 6.00% for Pension Plus 2 Plan, and the other postemployment benefit rate was 6.95%, net of investment and administrative expenses was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension and 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.

Cost of Living Pension Adjustments - 3.0% annual non-compounded for MIP members.

Healthcare cost trend rate for other postemployment benefit - 7.50% for year one and graded to 3.50% to year fifteen.

Additional assumptions for other postemployment benefit only - Applies to individuals hired before September 4, 2012.

Opt Out Assumption - 21% of eligible participants hired before July 1, 2008 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 Retirement - 75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

Long-Term Expected Return on Plan Assets

Target asset allocation as of September 30, 2020 and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return*</u>
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 rates of return are net of administrative expenses and 2.1% inflation.

CHARLEVOIX MONTESSORI ACADEMY FOR THE ARTS
CHARLEVOIX, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 10 - DEFINED PENSION PLAN AND POSTEMPLOYMENT BENEFITS (continued)

Rate of return – For fiscal year ended September 30, 2020, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was 5.37% and 5.24% respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Pension discount rate - A single discount rate of 6.80% was used to measure the total pension liability (6.00% for the Pension Plus 2 Plan). This discount rate was based on the expected rate of return on pension plan investments of 6.80% (6.00% for the Pension Plus 2 Plan). The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions from school districts will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those 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.

OPEB discount rate - A single 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 school districts 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.

Sensitivity of the net pension liability to changes in the discount rate - the following presents the Reporting Unit's proportionate share of the net pension liability calculated using a single discount rate of 6.80% (6.00% for the Pension Plus 2 Plan), as well as what the Reporting Unit'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 point higher than the current rate:

	Pension		
	1% Decrease	Discount Rate	1% Increase
Academy's proportionate share of the net pension liability	\$ -	\$ -	\$ -

Sensitivity of the net OPEB liability to changes in the discount rate - The following presents the Reporting Unit's proportionate share of the net OPEB liability calculated using a single discount rate of 6.95%, as well as what the Reporting Unit'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 than the current rate:

	OPEB		
	1% Decrease	Discount Rate	1% Increase
Academy's proportionate share of the net OPEB liability	\$ -	\$ -	\$ -

CHARLEVOIX MONTESSORI ACADEMY FOR THE ARTS
 CHARLEVOIX, MICHIGAN
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2021

NOTE 10 - DEFINED PENSION PLAN AND POSTEMPLOYMENT BENEFITS (continued)

Sensitivity to the net OPEB liability to changes in the healthcare cost trend rates - The following presents the Reporting Unit's proportionate share of the net other postemployment benefit liability calculated using the healthcare cost trend rate of 7.0% (decreasing to 3.5%), as well as what the Reporting Unit's proportionate share of the net other postemployment benefit liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	OPEB		
	1% Decrease	Current healthcare	1% Increase
Academy's proportionate share of the net OPEB liability	\$ -	\$ -	\$ -

OPEB Plan Fiduciary Net Position

Detailed information about the pension and OPEB's fiduciary net position is available in the separately issued Michigan Public School Employees Retirement System 2020 Comprehensive Annual Financial Report.

Payable to the pension and OPEB plan - At year end the School District is current on all required pension and other postemployment benefit plan payments. Amounts accrued at year end for accounting purposes are separately stated in the financial statements as a liability titled accrued retirement. These amounts represent current payments for June paid in July, accruals for summer pay primarily for teachers, and the contributions due from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL).

NOTE 11 - SUBSEQUENT EVENTS

The board has evaluated subsequent events through September 28, 2021, the date on which the financial statements were available to be issued.

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of schools. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. Therefore, the District expects this matter to negatively impact its operating results. However, the related financial impact and duration cannot be reasonably estimated at this time.

NOTE 12 - TAX ABATEMENTS

Governmental Accounting Standards Board (GASB) Statement No. 77, Tax Abatement Disclosures, requires disclosure of tax abatement information about a reporting government's own tax abatement agreements and about tax abatement agreements entered into by other governments that reduce the reporting government's tax revenue.

No such tax abatements exist for Charlevoix Montessori Academy for the Arts.

CHARLEVOIX MONTESSORI ACADEMY FOR THE ARTS
CHARLEVOIX, MICHIGAN
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS BUDGETARY BASIS</u>	<u>VARIANCE WITH FINAL BUDGET</u>
	<u>2020 ORIGINAL</u>	<u>2020 FINAL</u>		
REVENUES				
Local sources	\$ 11,500	\$ 12,300	\$ 11,711	\$ (589)
State sources	386,651	538,400	531,916	(6,484)
Federal sources	43,446	63,669	65,030	1,361
Interdistrict sources	8,075	10,075	9,966	(109)
TOTAL REVENUES	<u>449,672</u>	<u>624,444</u>	<u>618,623</u>	<u>(5,821)</u>
EXPENDITURES				
Current:				
Instruction:				
Basic programs	148,296	205,410	188,491	16,919
Added needs	96,730	90,042	83,849	6,193
Support services:				
General administration	36,820	48,620	47,009	1,611
School administration	48,035	41,410	39,318	2,092
Business services	4,800	4,800	3,756	1,044
Operation & maintenance	75,706	62,800	58,460	4,340
Capital Outlay	-	-	-	-
Debt service	35,000	38,000	30,070	7,930
TOTAL EXPENDITURES	<u>445,387</u>	<u>491,082</u>	<u>450,953</u>	<u>40,129</u>
OTHER FINANCING SOURCES (USES)				
Total Other Sources (uses)				
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Excess of Revenues over (under)				
Expenditures and Other				
Financing Sources (Uses)	4,285	133,362	167,670	34,308
Budgetary Fund Balance - July 1, 2020	<u>35,329</u>	<u>35,329</u>	<u>35,329</u>	<u>-</u>
Budgetary Fund Balance - June 30, 2021	<u>\$ 39,614</u>	<u>\$ 168,691</u>	<u>\$ 202,999</u>	<u>\$ 34,308</u>

SEE NOTES TO THE FINANCIAL STATEMENTS.

CHARLEVOIX MONTESSORI ACADEMY FOR THE ARTS
 CHARLEVOIX, MICHIGAN
 REQUIRED SUPPLEMENTAL INFORMATION

SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE SHARE OF THE
 NET PENSION LIABILITY

MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN

LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 9/30 OF EACH FISCAL YEAR)

	2020	2019	2018	2017	2016	2015	2014
Reporting unit's proportion of net pension liability	0.00000%	0.00000%	0.00006%	0.00009%	0.00000%	0.00000%	0.00000%
Reporting unit's proportionate share of net pension liability	\$ -	\$ -	\$ 18,927	\$ 23,377	\$ -	\$ -	\$ -
Reporting unit's covered-employee payroll	\$ -	\$ -	\$ 75	\$ 13,856	\$ -	\$ -	\$ -
Reporting unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	0.00%	0.00%	25236.00%	168.71%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of total pension liability	59.49%	60.31%	62.36%	64.21%	63.27%	63.17%	66.15%

The amounts presented for each fiscal year were determined as of September 30 of the preceding year.

With the implementation of GASB 68 in 2015, the 10 year history will be provided prospectively until a full 10 year history is shown.

CHARLEVOIX MONTESSORI ACADEMY FOR THE ARTS
 CHARLEVOIX, MICHIGAN
 REQUIRED SUPPLEMENTAL INFORMATION
 SCHEDULE OF THE REPORTING UNIT'S PENSION CONTRIBUTIONS
 MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN

LAST 10 REPORTING UNIT FISCAL YEARS (AMOUNTS DETERMINED OF AS 6/30 OF EACH YEAR)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutory required contributions	\$ 700	\$ -	\$ 1,714	\$ 2,116	\$ -	\$ -	\$ -
Contributions in relation to statutorily required contributions*	(700)	-	(1,714)	(2,116)	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Reporting unit's covered-employee payroll as a percentage of its covered-employee payroll	\$ 4,929	\$ -	\$ -	\$ 225	\$ -	\$ -	\$ -
Contribution as a percentage of covered-employee payroll	14.20%	0.00%	0.00%	940.44%	0.00%	0.00%	0.00%

* Contributions in relation to statutorily required contributions are the contributions a reporting unit actually made to the System, as distinct from the statutorily required contributions.

With the implementation of GASB 68 in 2015, the 10 year history will be provided prospectively until a full 10 year history is shown.

**CHARLEVOIX MONTESSORI ACADEMY FOR THE ARTS
 CHARLEVOIX, MICHIGAN
 REQUIRED SUPPLEMENTAL INFORMATION
 SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
 MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
 LAST 10 REPORTING UNIT FISCAL YEARS (AMOUNTS DETERMINED OF AS 9/30 OF EACH YEAR)**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Reporting unit's proportion of net OPEB liability	0.00000%	0.00000%	0.00000%	0.00010%
Reporting unit's proportionate share of net OPEB liability	\$ -	\$ -	\$ 68	\$ 8,968
Reporting unit's covered-employee payroll (OPEB)*	\$ -	\$ -	\$ 75	\$ 13,856
Reporting unit's proportionate share of net OPEB liability as a percentage of its covered-employee payroll	0.00%	0.00%	90.67%	64.72%
Plan fiduciary net position as a percentage of total OPEB liability	59.44%**	48.46%**	42.95%**	36.39%**

*The employer's covered payroll is defined by GASB 82, Pension Issues—an amendment to GASB Statements No. 67, No. 68, and No. 73, as payroll on which contributions to a pension plan are based; and by GASB 85, Omnibus 2017, as payroll on which contributions to the OPEB plan are based. For non-university employers, covered payroll for both pension and OPEB represents payroll on which contributions to both plans are based.

**For non-university employers (K12 districts, ISDs, charter schools/PSAs, libraries, and community colleges).

This schedule is to be built prospectively. Until a full 10-year trend is compiled, the schedule will show information for those years for which data is available.

CHARLEVOIX MONTESSORI ACADEMY FOR THE ARTS
CHARLEVOIX, MICHIGAN
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF THE REPORTING UNIT'S OPEB CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
LAST 10 REPORTING UNIT FISCAL YEARS (AMOUNTS DETERMINED OF AS 6/30 OF EACH YEAR)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutory required contributions	\$ 333	\$ -	\$ 6	\$ 788
Contributions in relation to statutorily required contributions*	(333)	-	(6)	(788)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reporting unit's covered-employee payroll (OPEB)** as a percentage of its covered-employee payroll	\$ 4,929	\$ -	\$ -	\$ 225
Contribution as a percentage of covered-employee payroll	6.76%	0.00%	0.00%	350.22%

*Contributions in relation to statutorily required OPEB contributions are the contributions an employer actually made to the OPEB Plan, as distinct from the statutorily required contributions.

**The employer's covered payroll is defined by GASB 82, Pension Issues—an amendment to GASB Statements No. 67, No. 68, and No. 73, as payroll on which contributions to a pension plan are based; and by GASB 85, Omnibus 2017, as payroll on which contributions to the OPEB plan are based. For non-university employers, covered payroll for both pension and OPEB represents payroll on which contributions to both plans are based.

This schedule is to be built prospectively. Until a full 10-year trend is compiled, the schedule will show information for those years for which data is available.

CHARLEVOIX MONTESSORI ACADEMY FOR THE ARTS
CHARLEVOIX, MICHIGAN
REQUIRED SUPPLEMENTAL INFORMATION
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION - PENSION & OPEB
FOR THE YEAR ENDED JUNE 30, 2021

Pension Information

Benefit changes - there were no changes of benefit terms in FY 2021.

Changes of assumptions - there were no changes of benefit assumption changes in FY 2021.

OPEB Information

Benefit changes - there were no changes of benefit terms in FY 2021.

Changes of assumptions - there were no changes of benefit assumption changes in FY 2021.



INDEPENDENT AUDITORS' 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

Charlevoix Montessori Academy for the Arts
Charlevoix, MI 49720

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, major fund, and the aggregate remaining fund information of the *Charlevoix Montessori Academy for the Arts* as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise *Charlevoix Montessori Academy for the Arts'* basic financial statements, and have issued our report thereon dated September 28, 2021.

Internal Control over Financial Reporting

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

Compliance and Other Matters

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

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.

Schulze, Oswald, Miller & Edwards PC

Schulze, Oswald, Miller & Edwards PC
Alpena, Michigan
September 28, 2021

Schulze Oswald Miller & Edwards PC

120 N. Ripley Street • Alpena, MI 49707
P.O. Box 69 • Rose City, MI 48654



Alpena 989-354-8707 • Fax 989-354-8708
Rose City 989-685-2411 • Fax 989-685-2412

September 28, 2021

The Board of Education
Charlevoix Montessori Academy for the Arts
Charlevoix, Michigan 49720

We have audited the financial statements of the governmental activities, major fund, and the aggregate remaining fund information of *Charlevoix Montessori Academy for the Arts* for the year ended June 30, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 6, 2021. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by *Charlevoix Montessori Academy for the Arts School* are described in Note 1 to the financial statements. During the fiscal year, the Academy implemented Governmental Accounting Standard No. 84, Fiduciary Activities. The application of existing policies was not changed during the audit year. We noted no transactions entered into by the Academy during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the Government Wide financial statements were:

Management's estimate of the net book value of fixed assets is based on estimated depreciable lives. We evaluated the key factors and assumptions used to develop the estimated depreciable lives in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the net pension and OPEB liability is based on actuarial assumptions that are provided by Michigan ORS for the MPSERS plan. We evaluated the key factors and assumptions used to develop the estimated net pension and OPEB liability in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure(s) affecting the financial statements was:

The disclosure of Capital Assets in Note 4 to the financial statements estimate the useful lives of depreciable capital assets and is based on the length of time it is believed that those assets will provide some economic benefit in the future.

The disclosure of net pension and OPEB liability is in Note 10 to the financial statements. Key factors and assumptions used to calculate the note are based on a number of factors including, age, length of service, mortality, and health.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 28, 2021.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to *Charlevoix Montessori Academy for the Art's* financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as *Charlevoix Montessori Academy for the Art's* auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

Emphasis of Matters in Independent Auditors' Report

Our report will include the following emphasis of matter paragraph:

We applied certain limited procedures to the combining statements, which are (is) required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the statement of changes in deposits held for others, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the information and use of the Board of Education and management of *Charlevoix Montessori Academy for the Arts* and is not intended to be, and should not be, used by anyone other than these specified parties.

In June 2017, the Governmental Accounting Standards Board issued GASB Statement No. 87, Leases, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The Academy is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the Academy's financial statements for the fiscal year ending June 30, 2022.

Very truly yours,



Schulze, Oswald, Miller & Edwards PC
Alpena, Michigan