

# Greater Heights Academy

## Financial Statements

June 30, 2020



## Table of Contents

<u>Section</u>	<u>Page</u>
1 <b>Members of the Board of Directors and Administration</b>	1 - 1
2 <b>Independent Auditors' Report</b>	2 - 1
3 <b>Management's Discussion and Analysis</b>	3 - 1
4 <b>Basic Financial Statements</b>	
Academy-wide Financial Statements	
Statement of Net Position	4 - 1
Statement of Activities	4 - 3
Fund Financial Statements	
Governmental Funds	
Balance Sheet	4 - 4
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	4 - 5
Statement of Revenues, Expenditures and Changes in Fund Balances	4 - 6
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	4 - 7
Statement of Fiduciary Assets and Liabilities	4 - 8
Notes to the Financial Statements	4 - 9

<u>Section</u>	<u>Page</u>	
5	<b>Required Supplementary Information</b>	
	Budgetary Comparison Schedule – General Fund	5 - 1
	Budgetary Comparison Schedule – Food Service Fund	5 - 3
	Schedule of the Academy’s Proportionate Share of the Net Pension Liability	5 - 4
	Schedule of the Academy’s Pension Contributions	5 - 5
	Schedule of the Academy’s Proportionate Share of the Net OPEB Liability	5 - 6
	Schedule of the Academy’s OPEB Contributions	5 - 7
6	<b>Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i></b>	6 - 1

**Greater Heights Academy**  
**Members of the Board of Directors and Administration**  
**June 30, 2020**

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Members of the Board of Directors

Matthew P. Barcey	President
Marvin L. Miller	Vice President
Thomas A. Tucker	Secretary
Edward D. Rodden	Treasurer

Administration

Tia Doyle	Superintendent
Russell Bedford	Assistant Principal
Mary Mitchell	Finance Director
Nicholas Zilz	Operations Director



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## Independent Auditors' Report

To the Board of Directors  
Greater Heights Academy  
Flint, Michigan

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Greater Heights Academy, as of and for the year ended June 30, 2020, 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.

#### ***Auditors' 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 auditors' 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 Greater Heights Academy, as of June 30, 2020, 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.

## **Other Matters:**

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and budgetary comparison information, schedule of the Academy's proportionate share of the net pension liability, schedule of the Academy's pension contributions, schedule of the Academy's proportionate share of the net OPEB liability, and schedule of the Academy's OPEB contributions, 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 Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2020 on our consideration of Greater Heights Academy'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 Greater Heights Academy's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Greater Heights Academy's internal control over financial reporting and compliance.

*Yeo & Yeo, P.C.*

Flint, Michigan  
August 31, 2020

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

### GREATER HEIGHTS ACADEMY

Greater Heights Academy, a K-6 Academy located in Genesee County, Michigan, has completed its seventh year of operations with the enclosed financial statements. In addition to the statements, a comparative analysis of government-wide data is also provided.

The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be Greater Heights Academy's discussion and analysis of the financial results for the fiscal year ended June 30, 2020. Generally Accepted Accounting Principles (GAAP) according to GASB 34 requires the reporting of two types of financial statements: District-wide Financial Statements and Fund Financial Statements.

#### **Using this Annual Report**

The accompanying financial statements are presented in accordance with the reporting model as prescribed in GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis for State & Local Governments. The data will also have requirements from GASB Statements No. 63 and 65, including a Statement of Net Position. The following components are required:

- Management's Discussion and Analysis
- Basic Financial Statements, including *Statement of Net Position*, *Statement of Activities* and *Fund Financial Statements*
- Notes to the Financial Statements
- Required Supplementary Information

Management's Discussion and Analysis is a narrative insight to the past and present financial condition of Greater Heights Academy. This summary does not take the place of the comprehensive financial statements and other supplemental information following this narrative.



## **Reporting the School District as a Whole**

The financial statements provide information about the activities of Greater Heights Academy, presenting both an aggregate view of the finances and a longer-term view of those finances. These statements use the full accrual basis of accounting similar to that used by companies in the private sector. The two statements are the Statement of Net Position and the Statement of Activities, which appear first in the financial statements. The Statement of Net Position includes all of Greater Heights Academy's assets and liabilities, regardless if they are short-term or long-term. The Statement of Activities includes all of the current year's revenues and expenses, regardless of when cash is received or paid.

These two statements report Greater Heights Academy's net position - the difference between assets and liabilities - as one way to measure financial health or financial position. Over time, increases or decreases in the net position - as reported in the Statement of Activities - are indicators of whether financial health is improving or deteriorating. The relationship between revenues and expenses denotes the operating results. However, Greater Heights Academy's goal is to provide exceptional student services, not to generate profits. One must also consider non-financial factors, such as the quality of the education provided and the condition of the Academy's facilities, to assess the overall health of Greater Heights Academy.

## **Reporting Greater Heights Academy's Most Significant Funds - Fund Financial Statements**

The fund statements for Greater Heights Academy focus on major funds rather than on fund types. Consistent with previous years, the fund statements are reported using the modified accrual method of accounting. Under this basis of accounting, revenues are recorded when received except where they are measurable and available, and thus represent resources that may be appropriated. Expenditures are accounted for in the period that goods and services are used in school programs. In addition, capital asset purchases are expensed and not recorded as an asset. Debt payments are recorded as expenditures in the current year, and future debt obligations are not recorded.

Greater Heights Academy's fund financial statements provide detailed information about the most significant funds - not the School District as a whole. Funds are accounting devices that Greater Heights Academy uses to keep track of specific sources of funding and spending for particular purposes. The fund financial statements tell how services were financed in the short-term as well as what remains for future spending. The statements provide information about Greater Heights Academy's most significant fund - the General Fund. The other funds include the Special Revenue Fund and Capital Projects Fund, which are presented as Non-major funds. The Special Revenue Fund accounts for revenues and expenditures related to the student breakfast, lunch, and snack programs at Greater Heights Academy. The Capital Projects Fund was established this year to account for the school's purchase of building and land. The General Fund will continue to be used primarily to account for the general education requirements of Greater Heights Academy. The revenues for Greater Heights Academy are derived primarily from State Aid, as well as from federal, state, and local grants.

## **Reporting Greater Heights Academy's Fiduciary Responsibilities – Greater Heights Academy as Trustee**

Greater Heights Academy is the trustee, or fiduciary, for its student activity funds. All of the fiduciary activities are reported in separate statements of fiduciary assets and liabilities. Greater

Heights Academy is responsible for ensuring that the assets reported in these funds are used for their intended purposes. Agency funds are custodial in nature – assets equal liabilities – and do not involve measurement of results of operations. These activities are excluded from Greater Heights Academy’s other financial statements since Greater Heights Academy cannot use these assets to finance its operations.

### **Financial Analysis of Greater Heights Academy as a Whole**

The Statement of Net Position shows the perspective of Greater Heights Academy as a whole, including the net pension and postemployment benefits liabilities. As required by the Governmental Accounting Standards Board (GASB), Greater Heights Academy adopted GASB Statements No. 68 and 71, which includes Greater Heights Academy’s proportionate share of the Michigan Public School Employees Retirement System within the financial statements, for the fiscal year beginning July 1, 2014. In addition, Greater Heights Academy implemented GASB Statement Number 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, for the fiscal year beginning July 1, 2017. All governments participating in MPERS were required to adopt GASB 68, 71, and 75. This data is shown in the financial statements with the related deferred inflows and outflows and resulted in a net increase of \$55,674 in the June 30, 2020 net position. The data for the proportionate share of the retirement plan continues to be reflected in the current statements, as shown in Table 1, which provides a comparative summary of Greater Heights Academy's net position as of fiscal years ending June 30, 2020 and 2019, respectively.

Table 1 - Summary of Net Position:

<b>Assets</b>	<b><u>Fiscal 2020</u></b>	<b><u>Fiscal 2019</u></b>
Current and other assets	\$ 988,208	\$ 1,054,911
Capital assets - net of accumulated depreciation	<u>2,276,822</u>	<u>130,551</u>
<i>Total Assets</i>	<b><u>\$ 3,265,030</u></b>	<b><u>\$ 1,185,462</u></b>
<b>Deferred Outflows of Resources</b>	<b><u>\$ 467,995</u></b>	<b><u>\$ 507,930</u></b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b><u>\$ 3,733,025</u></b>	<b><u>\$ 1,693,392</u></b>
<b>Liabilities</b>		
Current liabilities	\$ 245,399	\$ 253,228
Long-term - Due within one year	92,115	7,000
Long-term - Due in more than one year	1,807,703	5,050
Net Pension and OPEB Liability	<u>1,464,649</u>	<u>1,415,174</u>
<i>Total Liabilities</i>	<b><u>\$ 3,609,866</u></b>	<b><u>\$ 1,680,452</u></b>
<b>Deferred Inflows of Resources</b>	<b><u>\$ 211,666</u></b>	<b><u>\$ 157,121</u></b>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b><u>\$ 3,821,532</u></b>	<b><u>\$ 1,837,573</u></b>

**Net Position**

Net investment in capital assets	\$ 377,004	\$ 130,551
Restricted for food service	30,738	23,222
Unrestricted	<u>(496,249)</u>	<u>(297,954)</u>
<i>Total Net Position</i>	<u>\$ (88,507)</u>	<u>\$ (144,181)</u>

Net Position is a combination of unrestricted funds, funds available for capital assets, plus capital assets at original cost, less accumulated depreciation and related debt. The accumulated depreciation is the accumulation of depreciation expense since acquisition. As of June 30, 2020, Greater Heights Academy's net capital assets were \$377,004, restricted amount for food service was \$30,738, and the remaining deficit of \$496,249 was unrestricted. The unrestricted net position represents the accumulated results of all past year's operations including the net pension liability and OPEB liability assigned to Greater Heights Academy. The operating results of the General Fund will have a significant impact on change in unrestricted net position from year to year.

**Statement of Activities**

The results of this year's operations for Greater Heights Academy are reported in the Statement of Activities, and in a more condensed format in Table 2. A revenue and expense comparison of fiscal years ending June 30, 2020 and 2019, respectively, is also reported.

Table 2 - Results of Activities:

<b>Fiscal Year:</b>	<b><u>Fiscal 2020</u></b>	<b><u>Fiscal 2019</u></b>
<b><u>Net Revenues:</u></b>		
General Revenues:		
State Aid - Unrestricted	\$2,039,552	\$2,092,440
Interest & Investment Earnings	3,209	6,176
Food Services	13,016	6,720
Community Services & Other	<u>2,198</u>	<u>7,000</u>
Total	<u>\$2,057,975</u>	<u>\$2,112,336</u>
<b><u>Net Expenses:</u></b>		
Instruction	\$ 816,272	\$ 813,090
Support Services	1,135,960	1,433,294
Interest on Long-Term Debt	50,069	0
Community Services	<u>0</u>	<u>5,070</u>
Total	<u>\$ 2,002,301</u>	<u>\$ 2,251,454</u>
<b>Change in net position</b>	<b>\$ 55,674</b>	<b>\$ (139,118)</b>
<b>Net Position – beginning</b>	<b><u>(144,181)</u></b>	<b><u>(5,063)</u></b>
<b>Net Position - ending</b>	<b><u>\$ (88,507)</u></b>	<b><u>\$ (144,181)</u></b>

## **Analysis of Financial Position**

A few significant factors affecting the net position of the year are as follows:

### **General Fund Operations**

The General Fund generated a net deficit of \$66,390. This includes charges for one-time costs to acquire building and land of \$242,286, and principal/interest charges of \$99,251.

### **Special Revenue Fund Operations**

The Special Revenue Fund generated a net increase of \$7,516.

### **Capital Outlay**

Capital acquisitions totaled \$2,207,276, which includes building and land costs of \$2,191,286 and other capital assets of \$15,990.

### **Depreciation Expense**

Depreciation expense is recorded on a straight-line basis over the estimated useful life of the asset. In accordance with generally accepted accounting principles, depreciation expense is recorded based on the original cost of the asset less an estimated salvage value. For the fiscal year ended June 30, 2020, the net depreciation expense was \$61,004.

## **Greater Heights Academy's Funds**

As Greater Heights Academy completed this year, the governmental funds reported a combined fund balance of \$742,809, with the General Fund accounting for \$712,071 and the Special Revenue Fund accounting for \$30,738.

Greater Heights Academy maintains a strong General Fund balance, in excess of 25%, to cover any unforeseen, temporary fluctuations in operations or student counts. Expenditures are also proactively monitored and reduced as appropriate to compensate for reduced funding or increased costs.

The completed purchase of our building and land is projected to save approximately \$125,000 in the upcoming fiscal year, as compared with continued monthly rental payments on this property.

A couple of significant factors affecting the total governmental fund balance are the following:

### **General Operating Fund**

Greater Heights Academy's expenditures from General Fund operations exceeded revenues by \$66,390 for the fiscal year ended June 30, 2020.

### **Special Revenue Fund**

The student meal program accounted for by the Special Revenue Fund is subsidized by General Fund operations; any shortfalls, if required, are transferred in from this fund. This year, the revenue from the Special Revenue Fund exceeded expenditures by \$7,516 for the fiscal year ended June 30, 2020. No transfers to subsidize this fund were necessary.

## **Revenues by Sources**

### **State of Michigan Unrestricted Aid (State Foundation Grant)**

The foundation allowance is determined annually by the State of Michigan using the following variables:

- State of Michigan State Aid Act per student foundation allowance
- Student enrollment blended at 90% of the current year fall count and 10% of the prior year spring count, plus Section 25e transfer adjustments

## **Per Student Foundation Allowance**

Greater Heights Academy's blended student enrollment (State Aid Membership) for the 2019 - 2020 school year was 258.08. Preliminary total student enrollment for the 2020 – 2021 school year is conservatively projected to be approximately 245 students.

## **Changes from Original to Final Budget**

The Uniform Budget Act of the State of Michigan requires that the Greater Heights Academy Board of Directors approve the original budget prior to July 1st, the start of the fiscal year. A schedule showing Greater Heights Academy's original and final budget amounts compared with amounts actually paid and received is provided in the required supplemental information of these financial statements. During the fiscal year, Greater Heights Academy revises its budget several times to reflect changes in revenues and related expenditures. This ensures continuous monitoring of changing financial conditions and is essential to sound fiscal management.

### ***General Fund***

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Change</u>
Revenues/Transfers In	\$2,598,238	\$2,439,390	(\$158,848)
Expenditures	\$2,516,036	\$2,690,885	\$174,849

The variation from original to final budgeted revenues is primarily due an increase in Federal grant funding received and utilized in the current year; a decrease in state aid revenue as a result of reduced student enrollment; and our share of the reduced school aid fund revenue shortfall imposed on all schools after year-end. Expenditures show a net increase primarily due to additional rent expense due to the purchase of our facility being delayed six months; additional costs incurred to purchase our building; and a final payout of all compensated absences to Academy employees.

The final actual numbers compare favorably with the final approved budget, showing mostly immaterial differences when comparing the individual budget line items with one exception. The final reduction in state aid revenue was unknown before our year ended. To be conservative, we estimated a larger per-pupil reduction than was ultimately assessed. Our continuous review of the budget and mid-year course corrections demonstrate strong fiscal oversight and control over the budget.

## **Economic Factors and Next Year's Budgets and Rates**

The administration considered many factors when determining Greater Heights Academy's 2020 fiscal year budget. One of the most important factors is the student count, since the state foundation revenue is determined by the blended student count that was discussed earlier. Approximately 89% of total General Fund revenues are from State Sources. Revenues are thus heavily dependent on the State's ability to fund local operations. When the fall student count is completed and the related per pupil funding is validated, the budget for Greater Heights Academy is amended to reflect the revised funding anticipated.

Since Greater Heights Academy's revenue depends on State funding and the health of the State School Aid fund, the actual revenue received therefore depends on the State's ability to collect revenues to fund its appropriations to Districts. The State periodically holds revenue-estimating conferences to evaluate its ability to fund obligations. Should state revenues fall below previous estimates, a statewide proration of the Foundation Allowance to Districts could occur, and a negative proration did actually occur this fiscal year. If a reduction in State Aid funding results, an appropriate budget adjustment is to be made to reflect the revised financial situation.

## **Contacting Greater Heights Academy's Financial Management**

This financial report is designed to provide a general overview of Greater Heights Academy's finances, and to demonstrate Greater Heights Academy's accountability for the money it receives. If there are any questions about this report, or if additional financial information is needed, please contact Greater Heights Academy's Finance Department at 3196 W. Pasadena Avenue, Flint, MI 48504.

## BASIC FINANCIAL STATEMENTS

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**Greater Heights Academy**  
**Statement of Net Position**  
**June 30, 2020**

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	<u>Governmental Activities</u>
<b>Assets</b>	
Cash	\$ 402,336
Due from other governmental units	428,304
Prepaid items	7,568
Investments	150,000
Capital assets not being depreciated	101,396
Capital assets - net of accumulated depreciation	<u>2,175,426</u>
Total assets	<u>3,265,030</u>
<b>Deferred outflows of resources</b>	
Deferred amount relating to the net pension liability	383,234
Deferred amount relating to the net OPEB liability	<u>84,761</u>
Total deferred outflows of resources	<u>467,995</u>

See Accompanying Notes to the Financial Statements



**Greater Heights Academy**  
**Statement of Net Position**  
**June 30, 2020**

	Governmental Activities
<b>Liabilities</b>	
Payroll deductions and withholdings	\$ 21,474
Accrued expenditures	15,036
Accrued salaries payable	134,600
Unearned revenue	74,289
Long-term liabilities	
Due within one year	92,115
Net pension liability	1,211,056
Net OPEB liability	253,593
Debt due within more than one year	1,807,703
Total liabilities	3,609,866
<b>Deferred inflows of resources</b>	
Deferred amount relating to the net pension liability	96,081
Deferred amount relating to the net OPEB liability	115,585
Total deferred inflows of resources	211,666
<b>Net Position</b>	
Net investment in capital assets	377,004
Restricted for:	
Food service	30,738
Unrestricted (deficit)	(496,249)
Total net position	\$ (88,507)

See Accompanying Notes to the Financial Statements

**Greater Heights Academy**  
**Statement of Activities**  
**For the Year Ended June 30, 2020**

	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
Expenses	Charges for Services	Operating Grants and Contributions		
<b>Functions/Programs</b>				
Governmental activities				
Instruction	\$ 1,064,096	\$ -	\$ 247,824	\$ (816,272)
Supporting services	1,424,760	98	288,702	(1,135,960)
Food services	201,728	-	214,744	13,016
Community services	1,585	3,511	-	1,926
Interest on long-term debt	50,069	-	-	(50,069)
Total governmental activities	\$ 2,742,238	\$ 3,609	\$ 751,270	(1,987,359)
General revenues				
				2,039,552
				3,209
				272
				2,043,033
				55,674
				(144,181)
				\$ (88,507)

See Accompanying Notes to the Financial Statements

**Greater Heights Academy**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2020**

	General Fund	Capital Projects Fund	Food Service Fund	Total Governmental Funds
<b>Assets</b>				
Cash	\$ 402,336	\$ -	\$ -	\$ 402,336
Due from other funds	-	-	24,339	24,339
Due from other governmental units	421,584	-	6,720	428,304
Investments	150,000	-	-	150,000
Prepaid items	7,529	-	39	7,568
	<u>981,449</u>	<u>-</u>	<u>31,098</u>	<u>1,012,547</u>
Total assets	<u>\$ 981,449</u>	<u>\$ -</u>	<u>\$ 31,098</u>	<u>\$ 1,012,547</u>
<b>Liabilities and Fund Balance</b>				
<b>Liabilities</b>				
Due to other funds	\$ 24,339	\$ -	\$ -	\$ 24,339
Payroll deductions and withholdings	21,474	-	-	21,474
Accrued expenditures	15,036	-	-	15,036
Accrued salaries payable	134,240	-	360	134,600
Unearned revenue	74,289	-	-	74,289
	<u>269,378</u>	<u>-</u>	<u>360</u>	<u>269,738</u>
Total liabilities	<u>269,378</u>	<u>-</u>	<u>360</u>	<u>269,738</u>
<b>Fund Balance</b>				
Non-spendable:				
Prepaid items	7,529	-	39	7,568
Restricted for food service	-	-	30,699	30,699
Unassigned	704,542	-	-	704,542
	<u>712,071</u>	<u>-</u>	<u>30,738</u>	<u>742,809</u>
Total fund balance	<u>712,071</u>	<u>-</u>	<u>30,738</u>	<u>742,809</u>
Total liabilities and fund balances	<u>\$ 981,449</u>	<u>\$ -</u>	<u>\$ 31,098</u>	<u>\$ 1,012,547</u>

See Accompanying Notes to the Financial Statements

**Greater Heights Academy**  
**Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position**  
**June 30, 2020**

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<b>Total fund balances for governmental funds</b>	\$	742,809
Total net position for governmental activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Capital assets not being depreciated		101,396
Capital assets - net of accumulated depreciation		2,175,426
Deferred outflows (inflows) of resources		
Deferred inflows of resources resulting from the net pension liability		(96,081)
Deferred outflows of resources resulting from the net pension liability		383,234
Deferred inflows of resources resulting from the net OPEB liability		(115,585)
Deferred outflows of resources resulting from the net OPEB liability		84,761
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.		
Net pension liability		(1,211,056)
Net OPEB liability		(253,593)
Other loans payable and liabilities		<u>(1,899,818)</u>
<b>Net position of governmental activities</b>	<b>\$</b>	<b><u>(88,507)</u></b>

See Accompanying Notes to the Financial Statements

**Greater Heights Academy**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2020**

	General Fund	Capital Projects Fund	Food Service Fund	Total Governmental Funds
<b>Revenues</b>				
Local sources	\$ 22,223	\$ -	\$ -	\$ 22,223
State sources	2,299,287	-	16,353	2,315,640
Federal sources	261,658	-	198,391	460,049
	<u>2,583,168</u>	<u>-</u>	<u>214,744</u>	<u>2,797,912</u>
Total revenues				
<b>Expenditures</b>				
Current				
Education				
Instruction	981,618	-	-	981,618
Supporting services	1,314,328	-	-	1,314,328
Food services	-	-	201,728	201,728
Community services	1,585	-	-	1,585
Capital outlay	15,990	2,191,286	-	2,207,276
Debt service				
Principal	-	49,182	-	49,182
Interest and other expenditures	-	50,069	-	50,069
	<u>2,313,521</u>	<u>2,290,537</u>	<u>201,728</u>	<u>4,805,786</u>
Total expenditures				
Excess (deficiency) of revenues over expenditures	<u>269,647</u>	<u>(2,290,537)</u>	<u>13,016</u>	<u>(2,007,874)</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from notes and loans	-	1,949,000	-	1,949,000
Transfers in	5,500	341,537	-	347,037
Transfers out	(341,537)	-	(5,500)	(347,037)
	<u>(336,037)</u>	<u>2,290,537</u>	<u>(5,500)</u>	<u>1,949,000</u>
Total other financing sources (uses)				
Net change in fund balance	(66,390)	-	7,516	(58,874)
Fund balance - beginning	778,461	-	23,222	801,683
Fund balance - ending	<u>\$ 712,071</u>	<u>\$ -</u>	<u>\$ 30,738</u>	<u>\$ 742,809</u>

See Accompanying Notes to the Financial Statements

**Greater Heights Academy**  
**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, 2020**

<b>Net change in fund balances - Total governmental funds</b>	\$ (58,874)
Total change in net position reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation expense	(61,004)
Capital outlay	2,207,275
Expenses are recorded when incurred in the statement of activities.	
Compensated absences	12,050
The statement of net position reports the net pension liability and deferred outflows of resources and deferred inflows related to the net pension liability and pension expense. However, the amount recorded on the governmental funds equals actual pension contributions	
Net change in net pension liability	(94,966)
Net change in deferrals of resources related to the net pension liability	(59,365)
The statement of net position reports the net OPEB liability and deferred outflows of resources and deferred inflows related to the net OPEB liability and OPEB expense. However, the amount recorded on the governmental funds equals actual OPEB contributions	
Net change in net OPEB liability	45,491
Net change in deferrals of resources related to the net OPEB liability	(35,115)
Bond and note proceeds and capital leases are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. When debt refunding occurs, the difference in the carrying value of the refunding debt and the amount applied to the new debt is reported the same as regular debt proceeds or repayments, as financing source or expenditure in the governmental funds. However, in the statement of net position, debt refunding may result in deferred inflows of resources or deferred outflows of resources, which are then amortized in the statement of activities.	
Debt issued	(1,949,000)
Repayments of long-term debt	49,182
<b>Change in net position of governmental activities</b>	<b>\$ 55,674</b>

See Accompanying Notes to the Financial Statements

**Greater Heights Academy**  
**Fiduciary Funds**  
**Statement of Fiduciary Assets and Liabilities**  
**June 30, 2020**

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	<u>Agency Funds</u>
<b>Assets</b>	
Cash	\$ 1,020
Prepaid items	<u>980</u>
 Total assets	 <u><u>\$ 2,000</u></u>
 <b>Liabilities</b>	
Due to agency fund activities	<u><u>\$ 2,000</u></u>

See Accompanying Notes to the Financial Statements

**Greater Heights Academy**  
**Notes to the Financial Statements**  
**June 30, 2020**

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**Note 1 - Summary of Significant Accounting Policies**

The accounting policies of the Greater Heights Academy (Academy) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the Academy's significant accounting policies:

**Reporting Entity**

The Academy was formed as a charter school academy pursuant to the Michigan School Code of 1976, as amended by Act No. 362 of the Public Acts of 1993 and Act No. 416 of the Public Acts of 1994.

On June 6, 2018, the Academy entered into a five-year contract with Central Michigan University (CMU) 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. CMU 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 CMU three percent of the state aid foundation as administrative fees. The total administrative fees for the year to CMU were \$61,186.

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 financial relationships that determine which of the governmental organizations are a part of the Academy's reporting entity, and which organizations are legally separate component units of the Academy. The Academy has no component units.

**Academy-wide Financial Statements**

The Academy's basic financial statements include both Academy-wide (reporting for the Academy as a whole) and fund financial statements (reporting the Academy's major funds). The Academy-wide financial

statements categorize all nonfiduciary activities as either governmental or business type. All of the Academy's activities are classified as governmental activities.

The statement of net position presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The Academy's net position is reported in three parts (1) net investment in capital assets, (2) restricted net position, and (3) unrestricted net position.

The statement of activities reports both the gross and net cost of each of the Academy's functions. The functions are also supported by general government revenues (certain intergovernmental revenues, investments and earnings, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (state sources and federal sources, interest income, etc.). In creating the Academy-wide financial statements the Academy has eliminated interfund transactions.

The Academy-wide focus is on the sustainability of the Academy as an entity and the change in the Academy's net position resulting from current year activities.

**Fund Financial Statements**

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the Academy-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.



**Greater Heights Academy**  
**Notes to the Financial Statements**  
**June 30, 2020**

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Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected 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 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Unrestricted state aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

The Academy reports the following major governmental funds:

General Fund – The General Fund is used to record the general operations of the Academy pertaining to education and those operations not required to be provided for in other funds.

Food Service Fund – The Food Service Fund is a Special Revenue Fund, which is used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. Operating deficits generated by these activities are generally covered by a transfer from the General Fund.

Capital Projects Fund – The Capital Projects Fund was used for the purchase of land and building and debt proceeds in the current year.

Additionally, the Academy reports the following fund types:

Fiduciary Fund – Fiduciary Funds are used to account for assets held by the Academy in a trustee capacity or as an agent. The

Agency Fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations. This fund is used to record the transactions of student groups for school and school-related purposes.

**Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Balance**

Receivables and Payables – Generally, outstanding amounts owed between funds are classified as “due from/to other funds”. These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

The Academy considers all accounts receivable to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

Prepaid Items – Certain payments to vendors reflect costs applicable to future fiscal years. For such payments in governmental funds the Academy follows the consumption method, and they therefore are capitalized as prepaid items in both academy-wide and fund financial statements.

Capital Assets – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their acquisition value at the date of donation. The Academy defines capital assets as assets with an initial individual cost in excess of \$2,500. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The Academy does not have infrastructure assets. Equipment and furniture is depreciated using the straight-line method over the following useful lives:

Buildings and additions	20-50 years
Site improvements	5-15 years
Equipment and furniture	5 years

**Greater Heights Academy**  
**Notes to the Financial Statements**  
**June 30, 2020**

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Deferred Outflows of Resources – A deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period. For academy-wide financial statements, the Academy reports deferred outflows of resources as a result of pension and OPEB plan earnings. This amount is the result of a difference between what the plan expected to earn from plan investments and what is actually earned. This amount will be amortized over the next four years and included in pension and OPEB expense. Changes in assumptions relating to the net pension and OPEB liabilities are deferred and amortized over the expected remaining services lives of the employees and retirees in the plans. The Academy also reported deferred outflows of resources for pension and OPEB contributions made after the measurement date. This amount will reduce the net pension and OPEB liabilities in the following year.

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

Deferred Inflows of Resources – A deferred inflow of resources is an acquisition of net position by the government that is applicable to a future reporting period. For governmental funds this includes unavailable revenue in connection with receivables for revenues that are not considered available to liquidate liabilities of the current period. For academy-wide financial statements, the Academy reports deferred inflows of resources as a result of pension and OPEB plan earnings. This amount is the result of a difference between what the plan expected to earn from the plan investments and what the plan actually earned. This amount will be amortized over the next four years and included in pension and OPEB expense. Changes in assumptions relating to the net pension and OPEB liabilities are deferred and amortized over the expected remaining services lives of the employees and retirees in the plans. Deferred inflows of resources also includes revenue received relating to the amounts included in the deferred outflows for payments related to MPERS Unfunded Actuarial Accrued Liabilities (UAAL) Stabilization defined benefit pension statutorily required contributions.

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

Compensated Absences – The directors are employees of the Board of Directors and paid time off policies differ from those that are contracted. Directors may save unused personal days from year to year, up to a maximum of 50 days. These days will be paid out only at termination of employment and cannot be paid out upon request.

Fund Balance – In the fund financial statements, governmental funds report fund balance in the following categories:

Non-spendable – amounts that are not available in a spendable form.

Restricted – amounts that are legally imposed or otherwise required by external parties to be used for a specific purpose.

**Greater Heights Academy**  
**Notes to the Financial Statements**  
**June 30, 2020**

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Committed – amounts that have been formally set aside by the Board of Directors for specific purposes. A fund balance commitment may be established, modified, or rescinded by a resolution of the board of directors.

Assigned – amounts intended to be used for specific purposes, as determined by the board of directors. The Board of Directors has granted the Academy Director the authority to assign funds. Residual amounts in governmental funds other than the General Fund are automatically assigned by their nature.

Unassigned – all other resources; the remaining fund balances after non-spendable, restrictions, commitments and assignments.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Academy's policy is to consider restricted funds spent first.

When an expenditure is incurred for purposes for which committed, assigned, or unassigned amounts could be used, the Academy's policy is to consider the funds to be spent in the following order: (1) committed, (2) assigned, (3) unassigned.

The Academy has adopted a minimum fund balance policy, as follows:

The Board shall ensure that adequate funds are reserved for the General Fund to maintain a secure financial position whereby the fund balance shall not fall below five percent (5%) of the preceding year's expenditures.

**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, as well as deferred inflows and deferred outflows

at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

**Eliminations and Reclassifications**

In the process of aggregating data for the statement of net position and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

**Adoption of New Accounting Standards**

Statement No. 90, *Majority Equity Interests* improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain components. Management has determined to implement the requirements of this Statement for the fiscal year ending June 30, 2020, in accordance with the original implementation date of the statement.

Statement No. 92, *Omnibus 2020* enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following: (1) The effective date of Statement No. 87, Leases, and Implementation Guide No. 2019-3, Leases, for interim financial reports (2) Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan. (3) The applicability of Statements No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, as amended, and No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as

**Greater Heights Academy**  
**Notes to the Financial Statements**  
**June 30, 2020**

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amended, to reporting assets accumulated for postemployment benefits. (4) The applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements. (5) Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition. (6) Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers. (7) Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature. (8) Terminology used to refer to derivative instruments. Management has implemented the required portions of this Statement and will implement the remaining requirements as each Statement referenced becomes effective.

Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* provides a temporary relief to governments and other stakeholders in light of the COVID-19 pandemic and provides a postponement of certain GASB Statements. This statement was effective upon issuance in May of 2020.

**Upcoming Accounting and Reporting Changes**

Statement No. 84, *Fiduciary Activities* improves the guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The focus of the criteria includes the following: (1) is the government controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The four fiduciary funds that should be reported, if applicable are: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally will report fiduciary activities that are not held in a trust or similar arrangement that meets specific criteria. The requirements of this Statement are effective for the fiscal year ending June 30, 2021.

Statement No. 87, *Leases* increases the usefulness of the District's financial statements by requiring 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. A lessee will be required to recognize a lease liability and an intangible right-to-use a lease asset, and a lessor will be required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about the District's leasing activities. The requirements of this Statement are effective for the fiscal year ending June 30, 2022.

Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. It requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reporting in a business-type activity or enterprise fund. Interest cost incurred before the end of a construction period should be recognized as an expenditure for financial statements prepared using the current financial resources measurement. The requirements of this Statement are effective for the fiscal year ending June 30, 2022.

Statement No. 91, *Conduit Debt Obligations* provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. This statement is effective for the year ending June 30, 2023.

**Greater Heights Academy**  
**Notes to the Financial Statements**  
**June 30, 2020**

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Statement No. 93, *Replacement of Interbank Offered Rates* establishes accounting and financial reporting requirements related to the replacement of IBORs in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The requirements of this Statement apply to the financial statements of all state and local governments. The requirements of this Statement apply to the financial statements of all state and local governments. This statement is effective for the year ending June 30, 2022.

Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. This statement is effective for the year ending June 30, 2023.

The Academy is evaluating the impact that the above pronouncements will have on its financial reporting.

**Note 2 - Stewardship, Compliance, and Accountability**

**Budgetary Information**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and state law for the General and Special Revenue Funds. All annual appropriations lapse at fiscal year end, thereby cancel all encumbrances. These appropriations are reestablished at the beginning of the year.

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. The Academy is not considered in violation of the law if reasonable procedures are in use by the Academy to detect violations.

The Finance Director is legally authorized to transfer budgeted amounts within functions and between objects within any fund; however, transfers cannot exceed approved budget by function and any revisions that alter the total expenditures of any fund must be approved by the Board of Directors. The Finance Director must formally notify the Board prior to incurring an object expenditure in excess of its budget.

Budgeted amounts are as originally adopted or as amended by the Board of Directors throughout the year. Individual amendments were not material in relation to the original appropriations.

**Excess of Expenditures over Appropriations**

The Academy did not have significant expenditure budget variances.

**Greater Heights Academy**  
**Notes to the Financial Statements**  
**June 30, 2020**

**Note 3 - Deposits and Investments**

The Academy's deposits were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Funds	Total
Cash	\$ 402,336	\$ 1,020	\$ 403,356
Investments	150,000	-	150,000
	<u>\$ 552,336</u>	<u>\$ 1,020</u>	<u>\$ 553,356</u>

The breakdown between deposits for the Academy is as follows:

Deposits (checking, savings accounts, money markets, certificates of deposit)	\$ 403,356
Investments in securities, mutual funds, and similar vehicles	150,000
Total	<u>\$ 553,356</u>

As of year end, the Academy had the following investments:

Investment	Fair Value	Maturities	Rating	Organization
U.S. Government Treasury Bills	\$ 150,000	6 months	Aaa	Moody's

**Interest rate risk** – In accordance with its investment policy, the Academy manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than two years.

**Credit risk** – 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 U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles.

**Concentration of credit risk** – The Academy's investment policy does not limit the amount that may be invested with any one issuer.

**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. The Academy's investment policy requires that financial institutions be evaluated and only those with an acceptable risk level are used for the Academy's deposits for custodial credit risk. As of year-end, \$179,005 of the Academy's bank balance of \$429,005 was exposed to custodial credit risk because it was uninsured and uncollateralized.

**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. As of year end, none of the Academy's investments were exposed to custodial credit risk. The Academy invests in treasury bills which are backed by the full faith and credit of the Federal Government.

**Note 4 - Fair Value Measurements**

The Academy categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

**Greater Heights Academy**  
**Notes to the Financial Statements**  
**June 30, 2020**

The Academy has the following recurring fair value measurements as of June 30, 2020:

- U.S. Treasury securities of \$150,000 are valued using quoted market prices (Level 1 inputs)

**Note 5 - Capital Assets**

A summary of the changes in governmental capital assets is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ -	\$ 101,396	\$ -	\$ 101,396
Total capital assets not being depreciated	-	101,396	-	101,396
Capital assets being depreciated				
Building and site improvements	105,434	2,093,526	-	2,198,960
Equipment and furniture	215,942	12,353	-	228,295
Total capital assets being depreciated	321,376	2,105,879	-	2,427,255
Less accumulated depreciation for				
Building and site improvements	29,581	39,278	-	68,859
Equipment and furniture	161,244	21,726	-	182,970
Total accumulated depreciation	190,825	61,004	-	251,829
Net capital assets being depreciated	130,551	2,044,875	-	2,175,426
Net capital assets	\$ 130,551	\$ 2,146,271	\$ -	\$ 2,276,822

Depreciation was charged to activities of the Academy as follows:

**Governmental activities**

Instruction	\$ 26,082
Support services	<u>34,922</u>
Total governmental activities	<u>\$ 61,004</u>

**Note 6 - Interfund Receivable and Payable and Transfers**

Individual interfund receivable and payable balances at year end were:

Payable Fund	Receivable Fund	Amount
General Fund	Food Service Fund	<u>\$ 24,339</u>

The outstanding balances between funds result mainly from the time lag between the dates that transactions are recorded in the accounting system and payments between funds are made.

Management does not anticipate individual interfund balances to remain outstanding for periods in excess of one year.

Interfund transfers consist of the following:

	Transfers Out		
	Food Service Fund	General Fund	Total
<b>Transfers in</b>			
General Fund	\$ 5,500	\$ -	\$ 5,500
Capital Projects Fund	-	341,537	341,537
	<u>\$ 5,500</u>	<u>\$ 341,537</u>	<u>\$ 347,037</u>

**Greater Heights Academy**  
**Notes to the Financial Statements**  
**June 30, 2020**

These transfers were made to reimburse the General Fund for indirect costs incurred for food service activities and to pay for a portion of the purchase of the building and land in the Capital Projects Fund.

**Note 7 - Long-Term Debt**

The Academy issued notes to provide for the acquisition of the school building and land. Other long-term obligations include compensated absences.

Long-term obligation activity is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Bonds and notes payable					
Notes payable	\$ -	\$ 1,949,000	\$ 49,182	\$ 1,899,818	\$ 92,115
Other liabilities					
Compensated absences	12,050	6,450	18,500	-	-
<b>Total</b>	<u>\$ 12,050</u>	<u>\$ 1,955,450</u>	<u>\$ 67,682</u>	<u>\$ 1,899,818</u>	<u>\$ 92,115</u>

For governmental activities, compensated absences and notes payable are primarily liquidated by the general fund.

**Notes Payable**

The Academy financed the acquisition of the school building and land with notes payable. Future principal and interest requirements for direct borrowings are as follows:

Year Ending June 30,	Principal	Interest	Total
2021	\$ 92,115	\$ 92,415	\$ 184,530
2022	96,796	87,741	184,537
2023	101,710	82,827	184,537
2024	106,767	77,770	184,537
2025	1,502,430	35,804	1,538,234
	<u>\$1,899,818</u>	<u>\$ 376,557</u>	<u>\$2,276,375</u>

The Academy's outstanding notes from are collateralized by the mortgage of the property purchased.

**Compensated Absences**

Unpaid personal days for all administrative directors are allowed to accumulate and be paid upon termination of employment. Administrative personnel are paid at the rate of \$ 200 per day and Director of Operations is paid at the rate of \$ 100 per day, up to a maximum of 50 days. For the year 2020 the Board of Directors approved the hiring of a management company and all administrative directors were no longer employees of the academy and were paid out their total accumulated absences. The total potential liability for these days at June 30, 2020 was \$0.

**Note 8 - Debt Covenant**

The note payable agreement contains certain covenants, including maintenance of certain financial ratios as defined in the agreement. At June 30, 2020, the Academy was in compliance with the covenants.



**Greater Heights Academy**  
**Notes to the Financial Statements**  
**June 30, 2020**

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**Note 9 - Operating Lease**

The Academy leases a building with the option to purchase from a third party. The total lease expense for the year ended June 30, 2020 was \$155,784. The Academy exercised their option to purchase the building in 2020, therefore, there is no future lease expenses.

**Note 10 - Risk Management**

The Academy is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation) and certain medical benefits provided to employees. The Academy has purchased commercial insurance for general liability, property and casualty and health and vision claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage.

The Academy is subject to the Michigan Employment Security Act and has elected to pay unemployment claims on a direct self-insured basis. Under this method, the Academy must reimburse the Employment Commission for all benefits charged against the Academy. The Academy paid \$7,240 in unemployment compensation expense for the year. No provision has been made for possible future claims.

**Note 11 - Pension Plan**

**Plan Description**

The Michigan Public School Employees' Retirement System (System or MPERS) 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](http://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

**Greater Heights Academy**  
**Notes to the Financial Statements**  
**June 30, 2020**

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service through repayment of the refund upon satisfaction of certain requirements.

**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 September 30, 2018 valuation will be amortized over a 20-year period beginning October 1, 2018 and ending September 30, 2038.

The schedule below summarizes pension contribution rates in effect for fiscal year ended September 30, 2019.

Pension Contribution Rates		
Benefit Structure	Member	Employer
Basic	0.0 - 4.0%	18.25%
Member Investment Plan	3.0 - 7.0%	18.25%
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 \$97,148 for the year ending September 30, 2019.

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

At June 30, 2020, the Academy reported a liability of \$1,211,056 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2018. 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 September 30, 2019, the Academy's proportion was .0037 percent, which was an increase of .0002 percent from its proportion measured as of September 30, 2018.

For the plan year ending September 30, 2019, the Academy recognized pension expense of \$237,252 for the measurement period. For the reporting period ending June 30, 2020 the Academy made required pension contributions of \$80,151.

**Greater Heights Academy**  
**Notes to the Financial Statements**  
**June 30, 2020**

At June 30, 2020, the Academy reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Difference between expected and actual experience	\$ 5,428	\$ (5,050)	\$ 378
Changes of assumptions	237,126	-	237,126
Net difference between projected and actual earnings on pension plan investments	-	(38,812)	(38,812)
Changes in proportion and differences between the Academy contributions and proportionate share of contributions	<u>70,456</u>	<u>(13,669)</u>	<u>56,787</u>
Total to be recognized in future	313,010	(57,531)	255,479
Academy contributions subsequent to the measurement date	<u>70,224</u>	<u>(38,550)</u>	<u>31,674</u>
Total	<u>\$ 383,234</u>	<u>\$ (96,081)</u>	<u>\$ 287,153</u>

Contributions subsequent to the measurement date reported as deferred inflows and 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 ended June 30, 2021. 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)	
2020	\$ 116,107
2021	81,879
2022	42,712
2023	<u>14,781</u>
	<u>\$ 255,479</u>

**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, 2018
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 2.75%
- Investment Rate of Return:
  - MIP and Basic Plans: 6.80%
  - Pension Plus Plan: 6.80%
  - Pension Plus 2 Plan: 6.00%

**Greater Heights Academy**  
**Notes to the Financial Statements**  
**June 30, 2020**

- Projected Salary Increases: 2.75 - 11.55%, including wage inflation at 2.75%
- 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: Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Assumption changes as a result of an experience study for the period 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 as 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: 4.4977

Recognition period for assets in years is 5.0000

Full actuarial assumptions are available in the 2019 MPSERS Comprehensive Annual Financial Report found on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

**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 September 30, 2019, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.0 %	5.5 %
Alternative Investment Pools	18.0	8.6
International Equity	16.0	7.3
Fixed Income Pools	10.5	1.2
Real Estate and Infrastructure Pools	10.0	4.2
Absolute Return Pools	15.5	5.4
Short Term Investment Pools	2.0	0.8
	100.0%	

*\*Long-term rates of return are net of administrative expenses and 2.3% inflation.*

**Rate of Return**

For the fiscal year ended September 30, 2019, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 5.14%. 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 Pensions Plus 2, 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

**Greater Heights Academy**  
**Notes to the Financial Statements**  
**June 30, 2020**

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.

**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 *	Current Single Discount Rate Assumption *	1% Increase *
5.80% / 5.80% / 5.00%	6.80% / 6.80% / 6.00%	7.80% / 7.80% / 7.00%
<u>\$ 1,574,450</u>	<u>\$ 1,211,056</u>	<u>\$ 909,789</u>

*\*The Basic plan and the Member Investment Plan (MIP) are non-hybrid plans. Pension Plus is a hybrid plan, with a defined benefit (pension) component and a defined contribution (DC) component.*

**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](http://www.michigan.gov/orsschools).

**Payables to the Michigan Public School Employees' Retirement System (MPSERS)**

There were no significant payables to the pension plan that are not ordinary accruals to the Academy.

**Note 12 - 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, 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 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](http://www.michigan.gov/orsschools).

**Greater Heights Academy**  
**Notes to the Financial Statements**  
**June 30, 2020**

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**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, 2018 valuation will be amortized over a 20-year period beginning October 1, 2018 and ending September 30, 2038.

The schedule below summarizes OPEB contribution rates in effect for fiscal year 2019.

OPEB Contribution Rates		
Benefit Structure	Member	Employer
Premium Subsidy	3.0%	7.93%
Personal Healthcare Fund (PHF)	0.0%	7.57%

**Greater Heights Academy**  
**Notes to the Financial Statements**  
**June 30, 2020**

Required contributions to the OPEB plan from the Academy were \$24,258 for the year ended September 30, 2019.

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

At June 30, 2020, the Academy reported a liability of \$253,593 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2018. 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, 2019, the Academy's proportion was .0038 percent, which was a decrease of .0003 percent from its proportion measured as of September 30, 2018.

For the plan year ending September 30, 2019, the Academy recognized OPEB expense of \$115,585. For the reporting period ending June 30, 2020, the Academy recognized total OPEB contribution expense of \$17,513.

At June 30, 2020, 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	Total
Difference between expected and actual experience	\$ -	\$ (93,051)	\$ (93,051)
Changes of assumptions	54,949	-	54,949
Net difference between projected and actual earnings on OPEB plan investments	-	(4,410)	(4,410)
Changes in proportion and differences between the Academy contributions and proportionate share of contributions	<u>16,612</u>	<u>(18,124)</u>	<u>(1,512)</u>
Total to be recognized in future	71,561	(115,585)	(44,024)
Academy contributions subsequent to the measurement date	<u>13,200</u>	<u>-</u>	<u>13,200</u>
Total	<u>\$ 84,761</u>	<u>\$ (115,585)</u>	<u>\$ (30,824)</u>

**Greater Heights Academy**  
**Notes to the Financial Statements**  
**June 30, 2020**

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:

Deferred (Inflow) and Deferred Outflow of Resources by Year (To Be Recognized in Future OPEB Expenses)	
2020	\$ (11,154)
2021	(11,154)
2022	(8,877)
2023	(7,151)
2024	(5,688)
	\$ (44,024)

**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, 2018
- Actuarial Cost Method: Entry Age, Normal

- Wage inflation rate: 2.75%
- Investment Rate of Return: 6.95%
- Projected Salary Increases: 2.75 - 11.5%, including wage inflation at 2.75%
- Healthcare Cost Trend Rate: 7.5% Year 1 graded to 3.5% Year 12
- 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: Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

*Other Assumptions:*

- Opt Out Assumptions: 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.

Assumption changes as a result of an experience study for the period 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 OPEB 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.



**Greater Heights Academy**  
**Notes to the Financial Statements**  
**June 30, 2020**

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 is 5.0000

Full actuarial assumptions are available in the 2019 MPSERS Comprehensive Annual Financial Report found on the ORS website at [www.michigan.gov/orsschools](http://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:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.0 %	5.5 %
Alternative Investment Pools	18.0	8.6
International Equity	16.0	7.3
Fixed Income Pools	10.5	1.2
Real Estate and Infrastructure Pools	10.0	4.2
Absolute Return Pools	15.5	5.4
Short Term Investment Pools	2.0	0.8
	<u>100.0%</u>	

\*Long-term rates of return are net of administrative expenses and 2.3% inflation.

**Rate of Return**

For the fiscal year ended September 30, 2019, the annual money-weighted rate of return on OPEB plan investment, net of OPEB 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 6.95% 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.

**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 higher:

1% Decrease	Current Discount Rate	1% Increase
5.95%	6.95%	7.95%
\$ 311,070	\$ 253,593	\$ 205,329

**Greater Heights Academy**  
**Notes to the Financial Statements**  
**June 30, 2020**

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**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
\$ 203,282	\$ 253,593	\$ 311,064

**OPEB Plan Fiduciary Net Position**

Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued 2019 MPSERS CAFR, available on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

**Payables to the OPEB Plan**

There were no significant payables to the OPEB plan that are not ordinary accruals to the Academy.

**Note 13 - Contingent Liabilities**

Amounts received or receivable from grantor agencies are subjected to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of costs which may be disallowed by the grantor cannot be determined at this time although the Academy expects such amounts, if any, to be immaterial.

**Note 14 – Subsequent Events**

As result of the global coronavirus pandemic of 2020, the financial picture for Michigan School Districts has seen an unanticipated change. The duration and full effects of the outbreak are currently unknown, as

the local and global picture continues to change frequently. To reduce the chance of spreading COVID-19; in March 2020, public schools were closed for the remainder of the 2019-2020 school year. As a result of the pandemic, the State of Michigan encountered a revenue shortfall resulting in a revenue reduction for Districts of \$175 per pupil which reduced the state aid payment in August of 2020. Subsequent to year end, multiple new revenue sources were approved; including Public Act 123 of 2020 which provides Districts an approximate \$12.32 per pupil and Public Act 146 of 2020 which provides Districts \$350 per pupil. These new revenue streams approved after June 30, 2020 will be recognized in the fiscal year ended June 30, 2021 in accordance with reporting criteria established by the Governmental Accounting Standards Board. Additionally, the “Return to Learn” legislation passed subsequent to year end which modifies the per pupil foundation allowance calculation and allows flexibilities in the days and attendance requirements for Districts. Local districts are able to decide whether to provide instruction virtually or face to face for the 2020-2021 school year. Currently, it is not possible to estimate the full extent of any potential impacts to the Academy or to determine if any changes in fair values are other than temporary in nature. Accordingly, no adjustments to the financial statements were made as a result of these events.

## REQUIRED SUPPLEMENTARY INFORMATION

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**Greater Heights Academy**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule - General Fund**  
**For the Year Ended June 30, 2020**

	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
<b>Revenues</b>				
Local sources	\$ 26,480	\$ 21,850	\$ 22,223	\$ 373
State sources	2,340,923	2,150,780	2,299,287	148,507
Federal sources	226,835	261,260	261,658	398
Total revenues	<u>2,594,238</u>	<u>2,433,890</u>	<u>2,583,168</u>	<u>149,278</u>
<b>Expenditures</b>				
Instruction				
Basic programs	774,260	760,191	752,986	(7,205)
Added needs	230,847	232,568	228,632	(3,936)
Supporting services				
Pupil	158,250	125,378	124,192	(1,186)
Instructional staff	109,880	90,375	89,361	(1,014)
General Administration	80,028	80,451	77,926	(2,525)
School administration	404,495	345,055	340,971	(4,084)
Business	147,856	165,434	165,138	(296)
Operations and maintenance	262,376	390,934	377,748	(13,186)
Pupil transportation services	100,300	70,500	70,318	(182)
Central	64,025	64,275	62,954	(1,321)
Athletic activities	12,475	6,125	5,720	(405)
Community services	1,000	1,980	1,585	(395)
Capital outlay	-	16,081	15,990	(91)
Total expenditures	<u>2,345,792</u>	<u>2,349,347</u>	<u>2,313,521</u>	<u>(35,826)</u>
Excess (deficiency) of revenues over expenditures	<u>248,446</u>	<u>84,543</u>	<u>269,647</u>	<u>185,104</u>

**Greater Heights Academy**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule - General Fund**  
**For the Year Ended June 30, 2020**

	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
<b>Other Financing Sources</b>				
Transfers in	\$ 4,000	\$ 5,500	\$ 5,500	\$ -
Transfers out	(170,244)	(341,538)	(341,537)	(1)
Total other financing sources	(166,244)	(336,038)	(336,037)	(1)
Net change in fund balance	82,202	(251,495)	(66,390)	185,103
Fund balance - beginning	778,461	778,461	778,461	-
Fund balance - ending	<u>\$ 860,663</u>	<u>\$ 526,966</u>	<u>\$ 712,071</u>	<u>\$ 185,103</u>

**Greater Heights Academy**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule - Food Service Fund**  
**For the Year Ended June 30, 2020**

	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
<b>Revenues</b>				
State sources	\$ 4,760	\$ 16,353	\$ 16,353	\$ -
Federal sources	<u>224,933</u>	<u>193,036</u>	<u>198,391</u>	<u>5,355</u>
Total revenues	229,693	209,389	214,744	5,355
<b>Expenditures</b>				
Current				
Education				
Food services	<u>215,041</u>	<u>208,344</u>	<u>201,728</u>	<u>(6,616)</u>
Excess (deficiency) of revenues over expenditures	14,652	1,045	13,016	11,971
<b>Other Financing Uses</b>				
Transfers out	<u>(4,000)</u>	<u>(5,500)</u>	<u>(5,500)</u>	<u>-</u>
Net change in fund balance	10,652	(4,455)	7,516	11,971
Fund balance - beginning	<u>23,222</u>	<u>23,222</u>	<u>23,222</u>	<u>-</u>
Fund balance - ending	<u>\$ 33,874</u>	<u>\$ 18,767</u>	<u>\$ 30,738</u>	<u>\$ 11,971</u>

**Greater Heights Academy**  
**Required Supplementary Information**  
**Schedule of the Academy's Proportionate Share of the Net Pension Liability**  
**Michigan Public School Employees Retirement Plan**  
**Last 10 Fiscal Years (Measurement Date September 30th, of Each June Fiscal Year)**

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
A. Academy's proportion of the net pension liability (%)	0.0037%	0.0037%	0.0035%	0.0030%	0.0029%	0.0026%				
B. Academy's proportionate share of the net pension liability	\$ 1,211,056	\$ 1,116,090	\$ 911,777	\$ 759,782	\$ 696,883	\$ 568,341				
C. Academy's covered payroll	\$ 305,903	\$ 318,416	\$ 315,795	\$ 269,092	\$ 239,917	\$ 255,000				
D. Academy's proportionate share of the net pension liability as a percentage of its covered payroll	395.90%	350.51%	288.72%	282.35%	290.47%	222.88%				
E. Plan fiduciary net position as a percentage of total pension liability	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%				

**Note Disclosures**

Changes of benefit terms: There were no changes of benefit terms in plan fiscal year 2019.

Changes of benefit assumptions: There were no changes of benefit assumptions in plan fiscal year 2019.

**Greater Heights Academy**  
**Required Supplementary Information**  
**Schedule of the Academy's Pension Contributions**  
**Michigan Public School Employees Retirement Plan**  
**Last 10 Fiscal Years**

	For the Years Ended June 30									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
A. Statutorily required contributions	\$ 80,151	\$ 60,502	\$ 95,564	\$ 59,583	\$ 50,950	\$ 51,187				
B. Contributions in relation to statutorily required contributions	<u>80,151</u>	<u>60,502</u>	<u>95,564</u>	<u>59,583</u>	<u>50,950</u>	<u>51,187</u>				
C. Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>				
D. Academy's covered payroll	\$ 217,576	\$ 333,123	\$ 317,014	\$ 313,425	\$ 255,000	\$ 233,667				
E. Contributions as a percentage of covered payroll	36.84%	18.16%	30.15%	19.01%	19.98%	21.91%				



**Greater Heights Academy**  
**Required Supplementary Information**  
**Schedule of the Academy's Proportionate Share of the Net OPEB Liability**  
**Michigan Public School Employees Retirement Plan**  
**Last 10 Fiscal Years (Measurement Date September 30th, of Each June Fiscal Year)**

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
A. Academy's proportion of the net OPEB liability (%)	0.0035%	0.0038%	0.0035%							
B. Academy's proportionate share of the net OPEB liability	\$ 253,593	\$ 299,084	\$ 308,201							
C. Academy's covered payroll	\$ 305,903	\$ 318,416	\$ 315,795							
D. Academy's proportionate share of the net OPEB liability as a percentage of its covered payroll	82.90%	93.93%	97.60%							
E. Plan fiduciary net position as a percentage of total OPEB liability	48.46%	42.95%	36.39%							

**Note Disclosures**

Changes of benefit terms: There were no changes of benefit terms in plan fiscal year 2019.

Changes of benefit assumptions: There were no changes of benefit assumptions in plan fiscal year 2019.

**Greater Heights Academy**  
**Required Supplementary Information**  
**Schedule of the Academy's OPEB Contributions**  
**Michigan Public School Employees Retirement Plan**  
**Last 10 Fiscal Years**

	For the Years Ended June 30									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
A. Statutorily required contributions	\$ 17,513	\$ 26,205	\$ 22,903							
B. Contributions in relation to statutorily required contributions	<u>17,513</u>	<u>26,205</u>	<u>22,903</u>							
C. Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>							
D. Academy's covered payroll	\$ 217,576	\$ 333,123	\$ 317,014							
E. Contributions as a percentage of covered payroll	8.05%	7.87%	7.22%							



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## **Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

### **Independent Auditors' Report**

Management and the Board of Directors  
Greater Heights Academy  
Flint, Michigan

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 Greater Heights Academy as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Greater Heights Academy's basic financial statements, and have issued our report thereon dated August 31, 2020.

#### **Internal Control Over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 Greater Heights Academy's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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.

Yeo & Yeo, P.C.

Flint, MI

August 31, 2020