Battle Creek Area Learning Center

Financial Report
with Supplemental Information
June 30, 2021

Battle Creek Area Learning Center

Contents

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Independent Auditor's Report

To the Board of Directors
Battle Creek Area Learning Center

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Battle Creek Area Learning Center (the "Center") as of and for the year ended June 30, 2021 and the related notes to the financial statements, which collectively comprise Battle Creek Area Learning Center's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Battle Creek Area Learning Center as of June 30, 2021 and the respective changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the basic financial statements, as of July 1, 2020, the Center adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

As discussed in Note 10 to the basic financial statements, the beginning of the year net position has been restated to correct a misstatement. Our conclusion is not modified with respect to this matter.

To the Board of Directors
Battle Creek Area Learning Center

Other Matter

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the other required supplemental information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2021 on our consideration of Battle Creek Area Learning Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Battle Creek Area Learning Center's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Battle Creek Area Learning Center's internal control over financial reporting and compliance.

Plante & Moran, PLLC

October 20, 2021

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

Independent Auditor's Report

To Management and the Board of Directors
Battle Creek Area Learning Center

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Battle Creek Area Learning Center (the "Center") as of and for the year ended June 30, 2021 and the related notes to the financial statements, which collectively comprise the Center's basic financial statements, and have issued our report thereon dated October 20, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Center'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 the Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center'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 Center'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 preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as Finding 2021-001, that we consider to be a material weakness in internal control over financial reporting.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Center'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*.

The Center's Response to Finding

The Center agrees with the recommendation. The Center will implement procedures to ensure the proper calculation and review of the adjustments related to the government-wide financial statements occur on an annual basis. The Center's response was not subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on it.

To Management and the Board of Directors
Battle Creek Area Learning Center

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Center'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 Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plante & Moran, PLLC

October 20, 2021

This section of Battle Creek Area Learning Center's (the "Center") annual financial report presents our discussion and analysis of the Center's financial performance during the year ended June 30, 2021. Please read it in conjunction with the Center's financial statements, which immediately follow this section.

Using This Annual Report

This annual report consists of a series of financial statements and notes to those financial statements. These statements are organized so the reader can understand Battle Creek Area Learning Center financially as a whole. The center-wide financial statements provide information about the activities of the whole Center, presenting both an aggregate view of the Center’s finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short term and what remains for future spending. The fund financial statements look at the Center’s operations in more detail than the center-wide financial statements by providing information about the Center’s most significant fund - the General Fund and the remaining nonmajor fund - the Student Activities Fund. This report is composed of the following elements:

Management's Discussion and Analysis (MD&A)
(Required Supplemental Information)

Basic Financial Statements

Center-wide Financial Statements

Fund Financial Statements

Notes to Financial Statements

Required Supplemental Information

Budgetary Information for Major Fund

Schedule of the Center's Proportionate Share of the Net Pension Liability

Schedule of Pension Contributions

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

Schedule of OPEB Contributions

Reporting the Center as a Whole - Center-wide Financial Statements

One of the most important questions asked about the Center is, "As a whole, what is the Center’s financial condition as a result of the year’s activities?" The statement of net position and the statement of activities, which appear first in the Center’s financial statements, report information on the Center as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year’s revenue and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Center’s net position - the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources, as reported in the statement of net position - as one way to measure the Center’s financial health or financial position. Over time, increases or decreases in the Center’s net position - as reported in the statement of activities - are indicators of whether its financial health is improving or deteriorating. The relationship between revenue and expenses is the Center’s operating results. However, the Center’s goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the Center.

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

Reporting the Center's Most Significant Funds - Fund Financial Statements

The Center's fund financial statements provide detailed information about the most significant funds - not the Center as a whole. At the current time, the Center has only the General Fund and the Student Activities Fund. In the future, additional funds could be established by state law and by bond covenants. The Center could establish many other funds to help it control and manage money for particular purposes (a food service fund is an example) or to show that it is meeting legal responsibilities for using certain grants and other money.

Governmental Funds

Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the Center and the services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Center's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds in a reconciliation.

The Center as a Whole

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

	Governmental Activities	
	2021	2020
	(in thousands)	
Assets		
Current and other assets	$ 958.5	$ 730.0
Capital assets	414.5	434.6
Total assets	1,373.0	1,164.6
Deferred Outflows of Resources	364.7	204.3
Liabilities		
Current liabilities	358.4	387.8
Noncurrent liabilities	108.3	90.5
Net pension liability	361.2	164.2
Net OPEB liability	62.6	59.8
Total liabilities	890.5	702.3
Deferred Inflows of Resources	62.5	38.1
Net Position		
Net investment in capital assets	174.5	134.6
Unrestricted	610.2	493.9
Total net position	**$ 784.7**	**$ 628.5**

The above analysis focuses on net position. The change in net position of the Center's governmental activities is discussed below. Net investment in capital assets totaling approximately $175,000 compares the total cost less the accumulated depreciation of the Center's capital assets to debt that was used to finance the acquisition of those assets. The Center's net position was approximately $785,000 at June 30, 2021.

The approximately $610,000 in unrestricted net position of governmental activities represents the accumulated results of all past years' operations and the impact from Governmental Accounting Standards Board (GASB) Statement Nos. 68 and 75 (recording the Center's share of the net pension and OPEB liabilities from the state-managed retirement system). The unrestricted net position balance enables the Center to meet working capital and cash flow requirements, as well as to provide for future uncertainties. The operating results of the General Fund will have a significant impact on the change in unrestricted net position from year to year.

The results of this year's operations for the Center as a whole are reported in the condensed statement of activities below, which shows the changes in net position for the years ended June 30, 2021 and 2020:

	Governmental Activities	
	2021	2020
	(in thousands)	
Revenue		
Program revenue - Operating grants	$ 508.2	$ 485.5
General revenue:		
State aid not restricted to specific purposes	1,290.6	1,263.7
Other	7.5	7.2
Total revenue	1,806.3	1,756.4
Expenses		
Instruction	743.1	805.5
Support services	878.7	759.0
Debt service	-	13.2
Depreciation expense (unallocated)	33.9	11.8
Total expenses	1,655.7	1,589.5
Change in Net Position	150.6	166.9
Net Position - Beginning of year (as restated)	634.1	461.6
Net Position - End of year	**$ 784.7**	**$ 628.5**

As reported in the statement of activities, the cost of all of our governmental activities this year was approximately $1,656,000. Certain activities were partially funded by other governments and organizations that subsidized certain programs with grants and contributions (approximately $508,000). We paid the remaining public benefit portion of our governmental activities with approximately $1,291,000 in state foundation allowance and our other revenue (i.e., interest and general entitlements).

The Center experienced an increase in net position of approximately $151,000. A key reason for the increase was higher per pupil revenue than originally expected due to the State originally projecting the need to cut the foundation allowance for the 2021 fiscal year. Furthermore, the Center has been operating with fiscal conservatism for the exact purpose of trying to increase the fund balance. As the Center continues to add to the fund balance, the Center sets itself up to avoid borrowing and paying loan interest and use those funds to educate students.

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

As required by the Governmental Accounting Standards Board (GASB), the Center adopted GASB Statement No. 84, *Fiduciary Activities*, as of July 1, 2020. This standard provides guidance on the identification and reporting of fiduciary activities and required the Center district to evaluate activities to determine if they were fiduciary in nature. The standard also changed the reporting and presentation requirements of fiduciary activities. The effect of the adoption on the governmental activities was to increase July 1, 2020 beginning net position by $5,573, which represents the activities that used to be reported as fiduciary but are now reported as governmental under GASB 84. The governmental statement of net position at June 30, 2021 and statement of activities for the year ended June 30, 2021 include all the balances and transactions for those activities that used to be reported as fiduciary but are now reported as governmental.

The Center's Funds

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

As the Center completed this year, the governmental funds reported a fund balance of approximately $600,000, which is an increase of approximately $252,000 from last year. The primary reason for the change is due to higher than anticipated per pupil revenue and federal grant revenue.

With the adoption of GASB 84, the Center created the Student Activities special revenue fund to account for activities previously reported as fiduciary funds. The effect of the adoption was to increase July 1, 2020 beginning fund balance by $5,573.

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

General Fund Budgetary Highlights

Over the course of the year, the Center revises its budget as it attempts to deal with unexpected changes in revenue and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was adopted in June 2021. A schedule showing the Center’s original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements.

There were numerous revisions made to the 2020-2021 General Fund original budget. Budgeted revenue was increased by approximately $230,000. The increase in revenue was due to the addition of revenue from Coronavirus Relief Funds (11p) and District COVID-19 costs (103(2)) received under the Coronavirus Aid, Relief, and Economic Security (CARES) Act and ESSER II funds received under the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA).

Budgeted expenditures were also increased by approximately $150,000 to account for the increased grant spending as a result of the new federal grants received.

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

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2021, the Center had approximately $415,000 invested in capital assets, including buildings and building improvements, vehicles, and furniture and equipment.

		2021		2020
Buildings and improvements	$	433,071	$	419,335
Furniture and equipment		19,633		19,633
Buses and other vehicles		8,000		8,000
Total capital assets		460,704		446,968
Less - Accumulated depreciation		46,206		12,341
Total capital assets - Net of accumulated depreciation	**$**	**414,498**	**$**	**434,627**

We present more detailed information about our capital assets in the notes to the financial statements.

Debt

At the end of this year, the Center had approximately $314,000 in debt outstanding. There was approximately $390,000 outstanding for the year ended June 30, 2020.

Economic Factors and Next Year's Budgets and Rates

Our board members and administration consider many factors when setting the Center’s 2021-2022 fiscal year budget. One of the most important factors affecting the budget is our student count. The state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The 2021-2022 budget was adopted in June 2021 based primarily on an estimate of students who will enroll in September 2021. Based on early enrollment data at the start of the 2021 school year, we anticipate that the fall student count will be close to the estimates used in creating the 2021-2022 budget.

Approximately 71 percent of total General Fund revenue is from the foundation allowance. As a result, center funding is heavily dependent on the State's ability to fund local school operations. Based on preliminary enrollment data from the beginning of the 2021-2022 school year, we anticipate that we are on target to meet our budgeted enrollment for this year. Once both the final student count and related per pupil funding are validated, state law requires the Center to amend the budget if actual center resources are not sufficient to fund original appropriations.

The State periodically holds a revenue estimating conference to estimate revenue. Based on the results of the most recent conference, the State estimates there may be an increase in per pupil funding for 2021-2022. The Center adopted its 2021-2022 budget, keeping per pupil funding consistent with the 2020-2021 fiscal year until the new foundation allowance amount is a certainty. The Center is also receiving approximately $188,000 in ESSER II and approximately $421,000 in ESSER III grants. With the additional funding and the Center's accumulated fund balance, the Center has a positive financial outlook.

Statement of Net Position

June 30, 2021

	Governmental Activities
Assets	
Cash (Note 4)	$ 541,225
Due from other governmental units	378,175
Prepaid expenses and other assets	39,056
Capital assets - Net (Note 5)	414,498
Total assets	1,372,954
Deferred Outflows of Resources	
Deferred pension costs (Note 9)	266,187
Deferred OPEB costs (Note 9)	98,557
Total deferred outflows of resources	364,744
Liabilities	
Accounts payable	96,579
Accrued payroll and other liabilities	21,870
Short-term note payable (Note 7)	240,000
Long-term obligations:	
Due within one year (Note 8)	21,380
Due in more than one year (Note 8)	86,960
Net pension liability (Note 9)	361,181
Net OPEB liability (Note 9)	62,570
Total liabilities	890,540
Deferred Inflows of Resources	
Revenue in support of pension contributions made subsequent to the measurement date (Note 9)	14,971
Deferred pension cost reductions (Note 9)	853
Deferred OPEB cost reductions (Note 9)	46,665
Total deferred inflows of resources	62,489
Net Position	
Net investment in capital assets	174,498
Unrestricted	610,171
Total net position	**$ 784,669**

Statement of Activities

Year Ended June 30, 2021

	Expenses	Program Revenue Operating Grants and Contributions	Governmental Activities Net (Expense) Revenue and Changes in Net Position
Functions/Programs			
Primary government - Governmental activities:			
Instruction	$ 743,119	$ 367,702	$ (375,417)
Support services	878,723	140,513	(738,210)
Community services	40	-	(40)
Depreciation expense (unallocated)	33,865	-	(33,865)
Total primary government	**$ 1,655,747**	**$ 508,215**	(1,147,532)
General revenue:			
State aid not restricted to specific purposes			1,290,594
Other			7,557
Total general revenue			1,298,151
Change in Net Position			150,619
Net Position - Beginning of year (as restated) (Notes 2 and 10)			634,050
Net Position - End of year			**$ 784,669**

See notes to financial statements.

Governmental Fund Balance Sheet

June 30, 2021

	General Fund	Nonmajor Funds - Student Activities	Total Governmental Funds
Assets			
Cash (Note 4)	$ 535,597	$ 5,628	$ 541,225
Due from other governmental units	378,175	-	378,175
Prepaid expenses and other assets	39,056	-	39,056
Total assets	**$ 952,828**	**$ 5,628**	**$ 958,456**
Liabilities			
Accounts payable	$ 96,579	$ -	$ 96,579
Accrued payroll and other liabilities	21,870	-	21,870
Short-term note payable (Note 7)	240,000	-	240,000
Total liabilities	358,449	-	358,449
Fund Balances			
Nonspendable - Prepaid expenses and other assets	39,056	-	39,056
Committed - Student activities	-	5,628	5,628
Unassigned	555,323	-	555,323
Total fund balances	594,379	5,628	600,007
Total liabilities and fund balances	**$ 952,828**	**$ 5,628**	**$ 958,456**

See notes to financial statements.

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

		June 30, 2021
Fund Balances Reported in the Governmental Fund	$	600,007
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the funds		414,498
Long-term debt obligations are not due and payable in the current period and are not reported in the funds		(73,819)
Some employee fringe benefits are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities:		
Employee compensated absences		(34,521)
Net pension liability and related deferred inflows and outflows		(95,847)
Net OPEB liability and related deferred inflows and outflows		(10,678)
Revenue in support of pension contributions made subsequent to the measurement date is reported as a deferred inflow of resources in the statement of net position and is not reported in the funds		(14,971)
Net Position of Governmental Activities	**$**	**784,669**

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

Year Ended June 30, 2021

	General Fund	Nonmajor Funds - Student Activities	Total Governmental Funds
Revenue			
Local sources	$ 872	$ 6,685	$ 7,557
State sources	1,478,284	-	1,478,284
Federal sources	244,982	-	244,982
Governmental - Intergovernmental	81,417	-	81,417
Total revenue	1,805,555	6,685	1,812,240
Expenditures			
Current:			
Instruction	706,529	-	706,529
Support services	810,310	6,630	816,940
Community services	40	-	40
Debt service	16,667	-	16,667
Capital outlay	19,811	-	19,811
Total expenditures	1,553,357	6,630	1,559,987
Net Change in Fund Balances	252,198	55	252,253
Fund Balances - Beginning of year (as restated)	342,181	5,573	347,754
Fund Balances - End of year	**$ 594,379**	**$ 5,628**	**$ 600,007**

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

Year Ended June 30, 2021

Net Change in Fund Balances Reported in the Governmental Fund	$	252,253
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:		
Capitalized capital outlay		13,736
Depreciation expense		(33,865)
Total		(20,129)
Revenue in support of pension contributions made subsequent to the measurement date		(5,874)
Repayment of long-term debt is an expenditure in the governmental funds but not in the statement of activities (where it reduces long-term debt)		16,667
Some employee costs (pension, OPEB, and compensated absences) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds		(92,298)
Change in Net Position of Governmental Activities	**$**	**150,619**

Note 1 - Nature of Business

Battle Creek Area Learning Center (the "Center") is a charter school in the state of Michigan that provides educational services to students.

Note 2 - Significant Accounting Policies

Accounting and Reporting Principles

The Center follows accounting principles generally accepted in the United States of America (GAAP), as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board. The following is a summary of the significant accounting policies used by the Center.

Reporting Entity

The Center 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 July 1, 2017, the Center entered into a contract with the Bay Mills Community College (BMCC) board of trustees to charter a public school academy. The contract states the charter will be in effect until June 30, 2025 unless sooner revoked or terminated. The contract requires the Center to act exclusively as a governmental agency and not undertake any action inconsistent with its status as an entity authorized to receive state school aid funds pursuant to the state constitution. The Bay Mills Community College board of trustees is the fiscal agent for the Center and is responsible for overseeing the Center’s compliance with the contract and all applicable laws. The Center pays the Bay Mills Community College board of trustees 3.0 percent of state aid as administrative fees. The total administrative fees for the year ended June 30, 2021 to the Bay Mills Community College board of trustees were approximately $44,000.

The Center provides alternative high school educational opportunities for those who are unable to benefit from and achieve in a traditional high school setting.

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

Administrative Services

Battle Creek Area Learning Center had a contracted services agreement with a third-party service provider (AccessPoint), which was amended in the current year to change the scope of services. The Center then entered into a separate contracted services agreement with a different third-party service provider (EAS Schools) through June 2025. There was approximately $51,000 paid to these third-party providers for the year ended June 30, 2021.

Battle Creek Area Learning Center entered into a lease agreement with the Burmese American Initiative, Inc. for office and classroom space. This lease was entered into in March 2019 and started on July 1, 2019. The lease is for a period of 74 months and expires on June 30, 2025. Base rent each month is $6,038, and, after the first full year, the monthly rent adjustment can be increased or decreased depending on the financial results of the Center. The monthly rent was not adjusted for the upcoming year. There was approximately $73,000 paid for rent under this lease agreement for the year ended June 30, 2021.

Note 2 - Significant Accounting Policies (Continued)

Report Presentation

Governmental accounting principles require that financial reports include two different perspectives - the center-wide perspective and the fund-based perspective. The center-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units, as applicable. The center-wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The statements also present a schedule reconciling these amounts to the modified accrual-based presentation found in the fund-based statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Taxes, unrestricted intergovernmental receipts, and other items not properly included among program revenue are reported instead as general revenue.

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

Basis of Accounting

The governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting is intended to better demonstrate accountability for how the Center has spent its resources.

Expenditures are reported when the goods are received or the services are rendered. Capital outlays are reported as expenditures (rather than as capital assets) because they reduce the ability to spend resources in the future; conversely, employee benefit costs that will be funded in the future (such as pension and retiree health care-related costs or vacation pay) are not counted until they come due for payment. In addition, debt service expenditures, claims, and judgments are recorded only when payment is due.

Revenue is not recognized until it is collected or collected soon enough after the end of the year that it is available to pay for obligations outstanding at the end of the year. For this purpose, the Center considers amounts collected within 60 days of year end to be available for recognition. Revenue not meeting this definition is classified as a deferred inflow of resources.

Fund Accounting

The Center accounts for its various activities in different funds in order to demonstrate accountability for how it spends certain resources; separate funds allow the Center to show the particular expenditures for which specific revenue is used. The various funds are aggregated into the following fund type:

<u>Governmental Funds</u>

Governmental funds include all activities that provide general governmental services that are not business-type activities. Governmental funds can include the General Fund, special revenue funds, debt service funds, capital project funds, and permanent funds. The Center's only major fund is the General Fund, which is the primary operating fund because it accounts for all financial resources used to provide government services other than those specifically assigned to another fund.

Note 2 - Significant Accounting Policies (Continued)

The Center's only nonmajor fund is the Student Activities Fund, which is a special revenue fund. Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes. Revenue sources for the Student Activities Fund includes fundraising revenue and donations earned and received by student groups. Any operating deficit generated by these activities is the responsibility of the General Fund.

Specific Balances and Transactions

Cash

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

Prepaid Items

Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both center-wide and fund financial statements, when applicable.

Capital Assets

Capital assets, which include building improvements, equipment, and a bus, are reported in the applicable governmental activities column in the center-wide financial statements. Capital assets are defined by the Center as assets with an initial individual cost of more than $5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

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

	Depreciable Life - Years
Buildings and improvements	15
Equipment	5
Buses	7

Long-term Obligations

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense/expenditure) until then.

The Center reports deferred outflows related to deferred pension and OPEB costs.

In addition to liabilities, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time.

Note 2 - Significant Accounting Policies (Continued)

The Center reports deferred inflows related to revenue in support of pension contributions made subsequent to the measurement date and deferred pension and OPEB plan cost reductions.

Net Position

Net position of the Center is classified in three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and is reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted net position is the remaining net position that does not meet the definition of invested in capital or restricted. There is no restricted net position balance as of June 30, 2021.

Net Position Flow Assumption

The Center will sometimes fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the center-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Center's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance Flow Assumptions

The Center will sometimes fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Center's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Furthermore, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The nonspendable fund balance component represents amounts that are not in spendable form or are legally or contractually required to be maintained intact. Restricted fund balance represents amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose. The Center itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Center's highest level of decision-making authority. The board of directors is the highest level of decision-making authority for the Center that can, by passing resolutions prior to the end of the fiscal year, commit fund balance. Once passed, the limitation imposed by the resolution remains in place until a similar action is taken the passing of another resolution to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The Center has, by resolution, authorized the superintendent to assign fund balance. The board of directors may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Note 2 - Significant Accounting Policies (Continued)

Grants and Contributions

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

Pension and Other Postemployment Benefit (OPEB) Plans

For the purpose of measuring the net pension liability and net OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to pension and OPEB plans, and pension and OPEB expense, information about the fiduciary net position of the Michigan Public School Employees' Retirement System (MPSERS) and additions to/deductions from the MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. MPSERS uses the economic resources measurement focus and the full accrual basis of accounting. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments (including refunds of employee contributions) are recognized as expenses when due and payable in accordance with the plan benefit terms. Related plan investments are reported at fair value.

Compensated Absences (Vacation)

It is the Center's policy to permit employees to accumulate earned but unused vacation pay benefits. Vacation pay is accrued when incurred. This is reported in the government-wide financial statements. A liability for this amount is reported in governmental funds only for employee terminations as of year end. Generally, the funds that report each employee’s compensation are used to liquidate the obligations.

Use of Estimates

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

Adoption of New Accounting Pronouncement

During the current year, the Center adopted GASB Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying and reporting fiduciary activities. As a result of implementing this standard, the activities of the Student Activities Fund were previously reported as fiduciary activities but no longer meet the definition of such and, therefore, are no longer reported within these statements as a fiduciary fund.

The effect of this new standard on net position/fund balances was as follows:

	Governmental Activities	Nonmajor Funds
Net position/fund balances - June 30, 2020 (as previously reported)	$ 686,322	$ -
Adjustment for GASB Statement No. 84 - To change fund type	5,573	5,573
Adjustment for prior period adjustment for GASB 68/75 (Note 10)	(57,845)	-
Net position/fund balances - June 30, 2020 - As restated	$ 634,050	$ 5,573

Note 2 - Significant Accounting Policies (Continued)

The beginning of the year net position was restated due to a prior period adjustment related to the implementation of GASB 68 and 75 related to the Michigan Public School Employees' Retirement System (MPSERS) included in the table above and further described in Note 10.

Upcoming Accounting Pronouncement

In June 2017, the GASB issued Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The Center has analyzed the new standard and has determined that the amounts in the financial statements will not be significantly impacted. The provisions of this statement are effective for the Center's financial statements for the year ending June 30, 2022.

Note 3 - Stewardship, Compliance, and Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the General Fund. All annual appropriations lapse at fiscal year end. The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the Center to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year. During the year, the budget was amended in a legally permissible manner.

The budget document differs from the financial statements due to capital outlay being budgeted on a functional basis.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders and contracts) are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

Excess of Expenditures Over Appropriations in Budgeted Funds

The Center did not have significant expenditure budget variances.

Note 4 - Deposits and Investments

State statutes and the Center's investment policy authorize the Center to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The Center is allowed to invest in U.S. Treasury or agency obligations, U.S. government repurchase agreements, bankers' acceptances, certificates of deposit, commercial paper rated prime at the time of purchase that matures no more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The Center's deposits are in accordance with statutory authority.

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

Note 4 - Deposits and Investments (Continued)

The Center's cash is subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Center's deposits may not be returned to it. The Center does not have a deposit policy for custodial credit risk. At year end, the Center's deposit balance at the bank was $562,478 (checking account), of which $312,478 was uninsured. The Center evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Note 5 - Capital Assets

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

	Balance July 1, 2020	Additions	Disposals and Adjustments	Balance June 30, 2021
Capital assets being depreciated:				
Buildings and improvements	$ 419,335	$ 13,736	$ -	$ 433,071
Furniture and equipment	19,633	-	-	19,633
Buses and other vehicles	8,000	-	-	8,000
Subtotal	446,968	13,736	-	460,704
Accumulated depreciation:				
Buildings and improvements	9,318	28,795	-	38,113
Furniture and equipment	1,309	3,927	-	5,236
Buses and other vehicles	1,714	1,143	-	2,857
Subtotal	12,341	33,865	-	46,206
Net governmental activities capital assets	$ 434,627	$ (20,129)	$ -	$ 414,498

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

Note 6 - Risk Management

The Center is exposed to various risks of loss related to property loss, torts, errors, and omissions. The Center has purchased commercial insurance for all other claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 7 - Short-term Note Payable

The Center has an available $300,000 line of credit with a bank that is due upon demand and is uncollateralized. The line of credit bears interest at the prime rate plus 1.00 percent (an effective rate of 4.25 percent) and has various nonfinancial covenants. The line of credit was used for construction expenses related to the office renovation. At June 30, 2021, the Center had $240,000 outstanding.

Note 8 - Long-term Debt

The Center received an uncollateralized, interest-free loan from the Battle Creek Community Foundation in the original amount of $100,000. Monthly payments are approximately $1,400, and the loan will mature in November 2025. As of June 30, 2021, the outstanding loan balance was $73,819, and $16,667 is due within one year. There are no financial or nonfinancial covenants related to this note payable. The Center paid $16,667 in principal during the year ended June 30, 2021.

Annual debt service requirements to maturity are $16,667 each year from 2022 through 2025 and $7,151 for 2026.

Other Long-term Liabilities

Compensated absences attributable to the governmental activities will be liquidated by the General Fund. The total compensated absences as of June 30, 2021 were $34,521, of which $4,713 is due within one year and the remaining amount of $29,808 is considered a long-term obligation.

Note 9 - Michigan Public School Employees' Retirement System

Plan Description

The Center participates in the Michigan Public School Employees' Retirement System (the "System"), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the Center. Certain center employees also receive defined contribution retirement and health care benefits through the System. The System provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The System also provides postemployment health care benefits to retirees and beneficiaries who elect to receive those benefits.

The System is administered by the Office of Retirement Services (ORS). The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplemental information for the pension and postemployment health care plans. That report is available on the web at http://www.michigan.gov/orsschools.

Benefits Provided

Benefit provisions of the defined benefit (DB) pension plan and the postemployment health care plan are established by state statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit pension plan and the postemployment health care plan.

Depending on the plan option selected, member retirement benefits are calculated as final average compensation times years of services times a pension factor ranging from 1.25 percent to 1.50 percent. The requirements to retire range from attaining the age of 46 to 60 with years of service ranging from 5 to 30 years, depending on when the employee became a member. Early retirement is computed in the same manner as a regular pension but is permanently reduced 0.50 percent for each full and partial month between the pension effective date and the date the member will attain age 60. There is no mandatory retirement age.

Depending on the member’s date of hire, MPSERS offers the option of participating in the defined contribution (DC) plan that provides a 50 percent employer match (up to 3 percent of salary) on employee contributions.

Members are eligible for nonduty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. The disability benefits plus authorized outside earnings are limited to 100 percent of the participant's final average compensation, with an increase of 2 percent each year thereafter.

Note 9 - Michigan Public School Employees' Retirement System (Continued)

Benefits may transfer to a beneficiary upon death and are determined in the same manner as retirement benefits but with an actuarial reduction.

Benefit terms provide for annual cost of living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustment, if applicable, is 3 percent. Some members who do not receive an annual increase are eligible to receive a supplemental payment in those years when investment earnings exceed actuarial assumptions.

MPSERS provides medical, prescription drug, dental, and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by MPSERS, with the balance deducted from the monthly pension of each retiree health care recipient. Depending on the member’s date of hire, this subsidized portion ranges from 80 percent to the maximum allowed by the statute.

Contributions

Public Act 300 of 1980, as amended, required the Center to contribute amounts necessary to finance the coverage of pension benefits of active and retired members. Contribution provisions are specified by state statute and may be amended only by action of the state Legislature. Under these provisions, each school district's contribution is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance a portion of the unfunded accrued liability.

Under the OPEB plan, retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent, or 20 percent for those not Medicare eligible, of the monthly premium amount for the health, dental, and vision coverage at the time of receiving the benefits. The MPSERS board of trustees annually sets the employer contribution rate to fund the benefits. Participating employers are required to contribute at that rate.

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

The Center's contributions are determined based on employee elections. There are multiple different pension and health care benefit options included in the plan available to employees based on date of hire and the elections available at that time. Contribution rates are adjusted annually by the ORS.

The ranges of rates are as follows:

	Pension	OPEB
October 1, 2019 - September 30, 2020	13.39% - 19.59%	7.57% - 8.09%
October 1, 2020 - September 30, 2021	13.39% - 19.78%	7.57% - 8.43%

Depending on the plan selected, member pension contributions range from 0 percent up to 7.0 percent of gross wages. For certain plan members, a 4 percent employer contribution to the defined contribution pension plan is required. In addition, for certain plan members, a 3 percent employer match is provided to the defined contribution pension plan.

Note 9 - Michigan Public School Employees' Retirement System (Continued)

The Center's required and actual pension contributions to the plan for the year ended June 30, 2021 were $35,052, which include the Center's contributions required for those members with a defined contribution benefit. The Center's required and actual pension contributions include an allocation of $14,971 in revenue received from the State of Michigan and remitted to the System to fund the MPSERS unfunded actuarial accrued liability (UAAL) stabilization rate for the year ended June 30, 2021.

The Center's required and actual OPEB contributions to the plan for the year ended June 30, 2021 were $7,721, which include the Center's contributions required for those members with a defined contribution benefit.

Net Pension Liability

At June 30, 2021, the Center reported a liability of $361,181 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2019, which used update procedures to roll forward the estimated liability to September 30, 2020. The Center's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2020 and 2019, the Center's proportion was 0.0011 and 0.0005 percent, respectively, representing a change of 112.03 percent.

Net OPEB Liability

At June 30, 2021, the Center reported a liability of $62,570 for its proportionate share of the net OPEB liability. The net OPEB liability for fiscal year 2021 was measured as of September 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2019, which used update procedures to roll forward the estimated liability to September 30, 2020. The Center’s proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2020 and 2019, the Center’s proportion was 0.0012 and 0.0008 percent, respectively, representing a change of 40.10 percent.

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

For 2021, the Center recognized pension expense of $114,875, inclusive of payments to fund the MPSERS UAAL stabilization rate. At June 30, 2021, the Center reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 5,519	$ (771)
Changes in assumptions	40,022	-
Net difference between projected and actual earnings on pension plan investments	1,518	-
Changes in proportion and differences between the Center's contributions and proportionate share of contributions	189,025	(82)
The Center's contributions to the plan subsequent to the measurement date	30,103	-
Total	$ 266,187	$ (853)

Note 9 - Michigan Public School Employees' Retirement System (Continued)

The $14,971 reported as deferred inflows of resources resulting from the pension portion of state aid payments received pursuant to the UAAL payment will be recognized as state appropriations revenue for the year ended June 30, 2022. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending	Amount
2022	$ 83,215
2023	76,903
2024	55,922
2025	19,191
Total	$ 235,231

In addition, the contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the next year.

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

For the year ended June 30, 2021, the Center recognized OPEB expense of $15,943.

At June 30, 2021, the Center reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ (46,621)
Changes in assumptions	20,631	-
Net difference between projected and actual earnings on OPEB plan investments	522	-
Changes in proportionate share or difference between amount contributed and proportionate share of contributions	71,613	(44)
Employer contributions to the plan subsequent to the measurement date	5,791	-
Total	$ 98,557	$ (46,665)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (note that employer contributions subsequent to the measurement date will reduce the net OPEB liability and, therefore, will not be included in future OPEB expense):

Years Ending	Amount
2022	$ 10,758
2023	11,486
2024	12,616
2025	9,871
2026	1,370
Total	$ 46,101

Note 9 - Michigan Public School Employees' Retirement System (Continued)

Actuarial Assumptions

The total pension liability and total OPEB liability as of September 30, 2020 are based on the results of an actuarial valuation as of September 30, 2019 and rolled forward. The total pension liability and OPEB liability were determined using the following actuarial assumptions:

Actuarial cost method		Entry age normal
Investment rate of return - Pension	6.00% - 6.80%	Net of investment expenses based on the groups
Investment rate of return - OPEB	6.95%	Net of investment expenses based on the groups
Salary increases	2.75% - 11.55%	Including wage inflation of 2.75%
Health care cost trend rate - OPEB	7.00%	Year 1 graded to 3.5% year 15, 3.0% year 120)
Mortality basis		RP-2014 Male and Female Employee Annuitant Mortality tables, scaled 100% (retirees: 82% for males and 78% for females) and adjusted for mortality improvements using projection scale MP-2017 from 2006
Cost of living pension adjustments	3.00%	Annual noncompounded for MIP members

Assumption changes as a result of an experience study for the periods from 2012 to 2017 have been adopted by the System for use in the annual pension and OPEB valuations beginning with the September 30, 2017 valuation.

Significant assumption changes since the prior measurement date, September 30, 2019, for the OPEB plan include a reduction in the health care cost trend rate of 0.50 percentage points and the actual per person health benefit costs were lower than projected. There were no significant changes in assumptions for the pension actuarial valuation. There were no significant benefit terms changes for the pension or OPEB plans since the prior measurement date of September 30, 2019.

Discount Rate

The discount rate used to measure the total pension liability was 6.00 to 6.80 percent as of September 30, 2020 depending on the plan option. The discount rate used to measure the total OPEB liability was 6.95 percent as of September 30, 2020. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that district contributions will be made at statutorily required rates.

Based on those assumptions, the pension plan's fiduciary net position and the OPEB plan’s fiduciary net position were projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan and OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension liability and total OPEB liability.

Note 9 - Michigan Public School Employees' Retirement System (Continued)

The long-term expected rate of return on pension plan and OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity pools	25.00 %	5.60 %
Private equity pools	16.00	9.30
International equity pools	15.00	7.40
Fixed-income pools	10.50	0.50
Real estate and infrastructure pools	10.00	4.90
Absolute return pools	9.00	3.20
Real return/opportunistic pools	12.50	6.60
Short-term investment pools	2.00	(0.10)
Total	100.00 %	

Long-term rates of return are net of administrative expense and inflation of 2.10 percent.

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

The following presents the net pension liability of the Center, calculated using the discount rate depending on the plan option. The following also reflects what the Center's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (5.00 - 5.80%)	Current Discount Rate (6.00 - 6.80%)	1 Percentage Point Increase (7.00 - 7.80%)
Net pension liability of the Center	$ 467,488	$ 361,181	$ 273,077

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

The following presents the net OPEB liability of the Center, calculated using the current discount rate. It also reflects what the Center's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (5.95%)	Current Discount Rate (6.95%)	1 Percentage Point Increase (7.95%)
Net OPEB liability of the Center	$ 80,379	$ 62,570	$ 47,577

Note 9 - Michigan Public School Employees' Retirement System (Continued)

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

The following presents the net OPEB liability of the Center, calculated using the current health care cost trend rate. It also reflects what the Center's net OPEB liability would be if it were calculated using a health care cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (6.00%)	Current Rate (7.00%)	1 Percentage Point Increase (8.00%)
Net OPEB liability of the Center	$ 47,003	$ 62,570	$ 80,276

Pension Plan and OPEB Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position is available in the separately issued MPSERS financial report.

Payable to the Pension Plan and OPEB Plan

There were no payables for the outstanding amount of contributions to the pension plan and OPEB plan for the year ended June 30, 2021.

Note 10 - Prior Period Adjustment

Net position has been restated as of July 1, 2020 to correct the deferred outflows, deferred inflows, and the long-term obligations related to the Michigan Public School Employees' Retirement System pension and other postemployment benefits that were not properly accounted for in the previous year. The effect of the restatement increased deferred outflows related to pension and OPEB costs by $204,321, increased deferred inflows related to pension and OPEB cost by $29,003 and revenue in support of pension contributions made subsequent to the measurement date by $9,097, increased the pension and OPEB liabilities by $224,066, and decreased the beginning of the year net position by $57,845 on the statement of net position. The net position as of July 1, 2020 decreased from $686,322, as originally reported, to $634,050.

Note 11 - Subsequent Events

Subsequent to year end, the Center received a loan from Battle Creek Community Foundation for $244,962. This loan is able to convert into a grant in order to help fund the replacement of a boiler in the building (owned by the Burma Center) in the case where ESSER funds are not able to be allowable for this use. The Center is still in negotiations with the Burma Center and, in the case that no agreement is made, the plan is to return the funds back to Battle Creek Community Foundation.

Required Supplemental Information

Required Supplemental Information
Budgetary Comparison Schedule
General Fund

Year Ended June 30, 2021

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Revenue				
Local sources	$ 100	$ 750	$ 872	$ 122
State sources	1,402,346	1,467,250	1,478,284	11,034
Federal sources	72,897	249,925	244,982	(4,943)
Governmental - Intergovernmental	94,292	81,000	81,417	417
Total revenue	1,569,635	1,798,925	1,805,555	6,630
Expenditures				
Current:				
Instruction:				
Basic programs	553,705	510,638	499,547	(11,091)
Added needs	169,372	215,820	209,051	(6,769)
Support services:				
Pupil	125,623	144,291	139,209	(5,082)
Instructional staff	71,860	89,128	78,322	(10,806)
General administration	53,500	63,600	62,301	(1,299)
School administration	280,049	336,700	320,613	(16,087)
Business	43,140	70,500	68,380	(2,120)
Operations and maintenance	109,710	127,706	122,546	(5,160)
Pupil transportation services	2,201	1,350	1,026	(324)
Central	38,225	35,904	35,655	(249)
Community services	-	40	40	-
Debt service - Principal	14,500	16,667	16,667	-
Total expenditures	1,461,885	1,612,344	1,553,357	(58,987)
Net Change in Fund Balance	107,750	186,581	252,198	65,617
Fund Balance - Beginning of year	342,181	342,181	342,181	-
Fund Balance - End of year	**$ 449,931**	**$ 528,762**	**$ 594,379**	**$ 65,617**

See notes to required supplemental information.

Required Supplemental Information
Schedule of the Center's Proportionate Share of the Net Pension Liability
Michigan Public School Employees' Retirement System

Last Two Plan Years

Plan Years Ended September 30

	2020	2019
Center's proportion of the net pension liability	0.00105 %	0.00050 %
Center's proportionate share of the net pension liability	$ 361,181	$ 164,225
Center's covered payroll	$ 102,000	$ 72,185
Center's proportionate share of the net pension liability as a percentage of its covered payroll	354.10 %	227.51 %
Plan fiduciary net position as a percentage of total pension liability	59.49 %	60.08 %

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

Last Two Fiscal Years

Years Ended June 30

	2021	2020
Statutorily required contribution	$ 35,052	$ 19,327
Contributions in relation to the statutorily required contribution	35,052	19,327
Contribution Deficiency	**$ -**	**$ -**
Center's Covered Payroll	$ 102,000	$ 102,000
Contributions as a Percentage of Covered Payroll	34.36 %	18.95 %

See notes to required supplemental information.

Required Supplemental Information
Schedule of the Center's Proportionate Share of the Net OPEB Liability
Michigan Public School Employees' Retirement System

Last Two Plan Years

Plan Years Ended September 30

	2020	2019
Center's proportion of the net OPEB liability	0.00117 %	0.00083 %
Center's proportionate share of the net OPEB liability	$ 62,570	$ 59,841
Center's covered payroll	$ 102,000	$ 72,185
Center's proportionate share of the net OPEB liability as a percentage of its covered payroll	61.34 %	82.90 %
Plan fiduciary net position as a percentage of total OPEB liability	59.76 %	48.67 %

See notes to required supplemental information.

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

Last Two Fiscal Years

Years Ended June 30

	2021	2020
Statutorily required contribution	$ 7,721	$ 8,196
Contributions in relation to the statutorily required contribution	7,721	8,196
Contribution Deficiency	**$ -**	**$ -**
Center's Covered Payroll	$ 102,000	$ 102,000
Contributions as a Percentage of Covered Payroll	7.57 %	8.04 %

See notes to required supplemental information.

Pension Information

Ultimately, 10 years of data will be presented in both of the pension-related schedules. The number of years currently presented represents the number of years since the accounting standard requiring these schedules first became applicable.

Benefit Changes

There were no changes of benefit terms for each of the reported plan years ended September 30.

Changes in Assumptions

There were no significant changes of assumptions for each of the reported plan years ended September 30 except for the following:

- 2019 - The discount rate used in the September 30, 2018 actuarial valuation decreased by 0.25 percentage points.

- 2018 - The discount rate used in the September 30, 2017 actuarial valuation decreased by 0.45 percentage points. The valuation also includes the impact of an updated experience study for the periods from 2012 to 2017.

OPEB Information

Ultimately, 10 years of data will be presented in both of the OPEB-related schedules. The number of years currently presented represents the number of years since the accounting standard requiring these schedules first became applicable.

Benefit Changes

There were no changes of benefit terms for each of the reported plan years ended September 30.

Changes in Assumptions

There were no significant changes of assumptions for each of the reported plan years ended September 30 except for the following:

- 2020 - The health care cost trend rate used in the September 30, 2019 actuarial valuation decreased by 0.50 percentage points, and actual per person health benefit costs were lower than projected. This reduced the plan's total OPEB liability by $18 billion in 2020.

- 2019 - The discount rate used in the September 30, 2018 actuarial valuation decreased by 0.20 percentage points. The valuation also includes the impact of an updated experience study for the periods from 2012 to 2017. This resulted in lower than projected per person health benefit costs to reduce the plan's total OPEB liability by an additional $1.4 billion in 2019.

Schedule of Findings and Questioned Costs

Section II - Financial Statement Audit Findings

Reference Number	Finding
2021-001	**Finding Type** - Material weakness

Criteria - In accordance with Governmental Accounting Standards Board (GASB) Statement Nos. 68 and 75, pension and OPEB liabilities, deferred outflows of resources, deferred inflows of resources, and related expenditures are to be recorded on the government-wide financial statements.

Condition - The Center did not accurately report the liabilities, deferred outflows of resources, deferred inflows of resources, and expenditures related to MPSERS on the government-wide financial statements as of June 30, 2020.

Context - Liabilities, deferred outflows of resources, and deferred inflows of resources were understated, and net position was overstated as a result of the aforementioned transaction as of July 1, 2020.

Cause - The Center was not aware of the specific accounting procedures and financial statement disclosure requirements for the aforementioned transaction.

Effect - The 2021 beginning of the year net position within the financial statements was materially misstated. Deferred outflows related to pension and OPEB costs increased by $204,321, deferred inflows related to pension and OPEB cost and revenue in support of pension contributions made subsequent to the measurement date increased by $38,100, pension and OPEB liabilities increased by $224,066, and the beginning of the year net position decreased by $57,845 on the statement of net position. These items were corrected by management during the audit process by recording a prior period adjustment on the June 30, 2021 financial statements.

Recommendation - We recommend the Center ensure that it is aware of, preparing, and reviewing the amounts that are required to be recorded on the government-wide financial statements.

Views of Responsible Officials and Planned Corrective Actions - Battle Creek Area Learning Center agrees with the above recommendation. The Center will implement procedures to ensure the proper calculation and review of the adjustments related to the government-wide financial statements occur on an annual basis.