

**COMMONWEALTH COMMUNITY  
DEVELOPMENT ACADEMY**

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**Financial Report  
with Supplemental Information**

**June 30, 2021**

# COMMONWEALTH COMMUNITY DEVELOPMENT ACADEMY

## CONTENTS

### FINANCIAL STATEMENTS

Independent auditor's report	1 - 2
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>	3 - 4
Management's discussion and analysis	5- 12

### BASIC FINANCIAL STATEMENTS

District-wide financial statements:	
Statement of net position	13
Statement of activities	14
Fund financial statements:	
Governmental funds:	
Balance sheet	15
Reconciliation of the governmental funds balance to the statement of net position	16
Statement of revenues, expenditures, and changes in fund balances	17
Reconciliation of the governmental funds statement of revenues, expenditures, and changes in fund balances to the statement of activities	18
Notes to financial statements	19- 45

### REQUIRED SUPPLEMENTAL INFORMATION

Pension liability disclosure	46-49
Budgetary comparison schedule - general fund	50

# Wilkerson & Associate P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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LARRY WILKERSON, C.P.A.  
THOMAS E. WILKERSON, C.P.A.

## INDEPENDENT AUDITOR'S REPORT

Board of Directors of  
Commonwealth Community Development Academy

### **Report on Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Commonwealth Community Development Academy, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

An audit 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 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 Commonwealth Community Development Academy as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles accepted in the United States of America.

**Members: A.I.C.P.A. and M.I.C.P.A.**

## ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison 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 Government Auditing 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Commonwealth Community Development Academy's basic financial statements. The nonmajor funds combining statement of revenues, expenditures, and changes in fund balances – special revenue funds is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The nonmajor funds combining statement of revenues, expenditures, and changes in fund balances, statement of revenue and expenditures – budget and actual are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applies in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the nonmajor funds combining statement of revenues, expenditures, and changes in fund balances, statement of revenue and expenditures – budget and actual are fairly stated in all material respects in relation to the basic financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2021, on our consideration of Commonwealth Community Development 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 to describe the scope of our testing of internal control over financial reporting or on compliance. That report is an integral part of the audit performed in accordance with *Government Auditing Standards* in considering Commonwealth Community Development Academy's internal control over financial reporting and compliance.

***Wilkerson & Associates PC***

October 23, 2021

# Wilkerson & Associate P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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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*

To the Board of Directors of  
Commonwealth Community Development Academy

We have audited the financial statements of Commonwealth Community Development Academy as of and for the year ended June 30, 2021 and have issued our report thereon dated October 23, 2021. 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.

### Internal Control Over Financial Reporting

Commonwealth Community Development Academy is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Commonwealth Community Development Academy's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Commonwealth Community Development Academy's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Commonwealth Community Development Academy's internal control over financial reporting.

*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 misstatements on a timely basis. *A material weakness* is a deficiency, or 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**Members: A.I.C.P.A. and M.I.C.P.A.**

To the Board of Directors of  
Commonwealth Community Development Academy

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Commonwealth Community Development Academy's financial statements are free of 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*.

This report is intended for the information and use of the Board of Directors, management and the Michigan Department of Education and is not intended to be and should not be used by anyone other than these specified parties.

*Wilkerson & Associate PC*

*October 23, 2021*

# **COMMONWEALTH COMMUNITY DEVELOPMENT ACADEMY**

## **Management's Discussion and Analysis**

**For the Year Ending June 30, 2021**

Located in Detroit, Michigan, Commonwealth Community Development Academy (the Academy) is a K-8 public school academy with a mission to challenge each student to succeed at his/her maximum potential in a safe and secure environment. Academic and social excellence will be encouraged through effective instruction and cooperation between faculty, parents and students. The Academy believes that all students deserve the opportunity and resources to learn to the full extent of his/her ability. Their goal is to give students a solid foundation in academic learning in order that he or she will be able to compete successfully (socially, economically and financially) in the 21<sup>st</sup> Century.

This section of the Academy's annual financial report presents management's discussion and analysis of the Academy's financial performance during the year ended June 30, 2021. Please read this analysis in conjunction with the Academy's financial statements, notes, supplementary information and schedules that immediately follow this section.

### **Overview of the Academy's Annual Financial Report**

This annual financial report is intended to answer questions its readers might have regarding the Academy's financial position and results of its operation. The reader should read this report always mindful that the Academy's primary purpose is to use its resources to the best of its ability to provide quality services to its students, not to generate profits as commercial entities do. Consideration should also be given to other non-financial factors, such as the quality of the education provided and safety of the school, in the assessment of the overall health of the Academy.

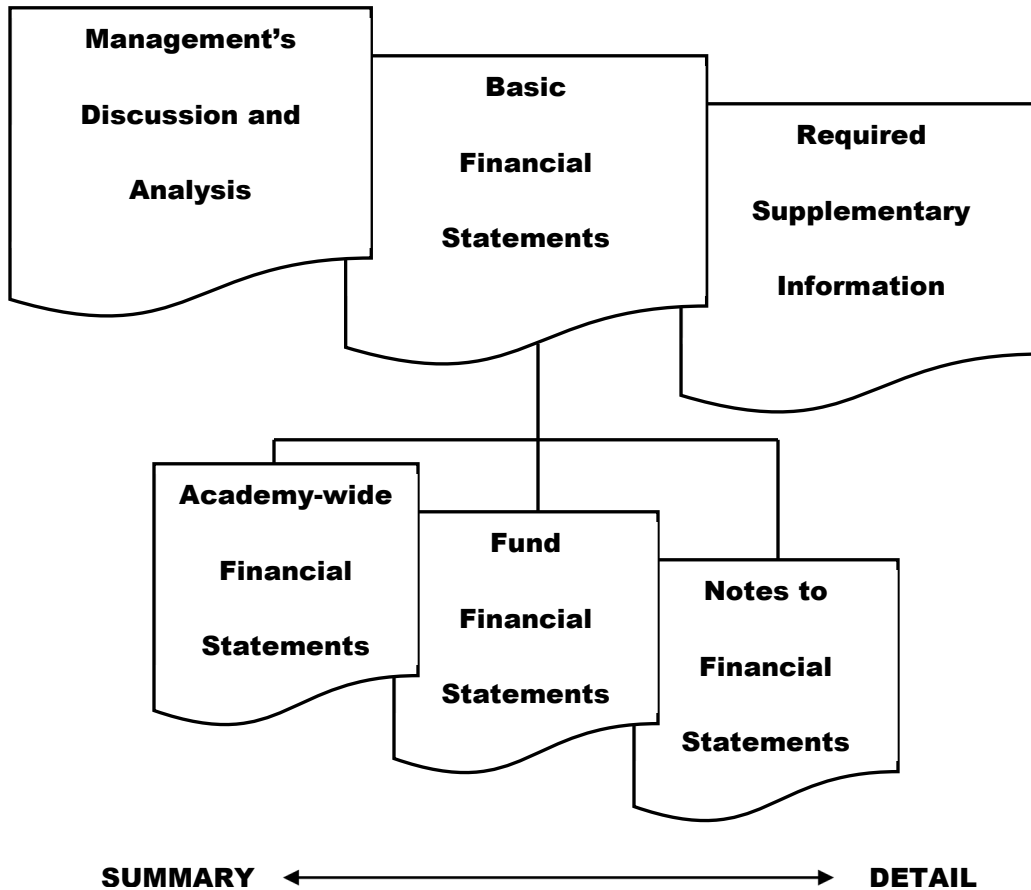
There are three parts to this annual financial report (see **Table 1**):

- **Management's Discussion and Analysis** presents the reader with administration's perspective and insight into the Academy's financial position and results of operations for the year just ended.
- **Basic Financial Statements** are the numerical representation of the Academy's results of operations and financial position.
- **Required Supplementary Information** adds further detail and clarification to the Basic Financial Statements.

# COMMONWEALTH COMMUNITY DEVELOPMENT ACADEMY

## Management's Discussion and Analysis For the Year Ending June 30, 2021

Table 1



### The Academy's Basic Financial Statements

Components of the Basic Financial Statements (refer to **Table 1** above):

**Academy-wide Financial Statements** are broadest in scope, and provide information about the activities of the Academy as a whole, presenting both an aggregate view of the Academy's finances and a long-term view of those finances. The financial statements are presented on a full accrual basis, which is the primary accounting method used in private industry. Transactions are recorded when resources are earned or used regardless of when cash is received or disbursed. The *Statement of Net Position* reports all the Academy's assets regardless of if they are available for current use or legally restricted, and all of its liabilities, both short-term and long-term. The *Statement of Activities* reports all the Academy's revenues and expenses by type of activity. The *Statement of Activities*



# **COMMONWEALTH COMMUNITY DEVELOPMENT ACADEMY**

## **Management's Discussion and Analysis**

### **For the Year Ending June 30, 2021**

reflects whether the Academy's overall financial health has improved or declined over the past year and demonstrates how the Academy allocated its resources to the services it provided.

**Fund Financial Statements** are narrower in scope but can more clearly present the Academy's compliance with laws, regulations, and any restrictions that may be placed upon the use of its financial resources. Individual funds are used to demonstrate the Academy's major educational activities or smaller activities for which individual information is desired or required. Major funds are presented individually, while non-major funds are presented in aggregate. The fund financial statements provide a detailed short-term view of the operations of the Academy's various fiscal components, not a long-term view of the Academy as a whole. It provides information as to the number of financial resources that can be spent soon to finance programs. It also provides information about the Academy's most significant Fund – the General Fund (the Academy's principal operating Fund) – and its non-major Funds, which are grouped together and presented as Other Governmental Funds. The Academy's only non-major Fund is the Food Service program. The fund financial statements are presented using the modified accrual basis of accounting. Only those assets that are measurable and currently available are reported. Liabilities are recognized to the extent that they can be paid using current financial resources.

For further information on the attributes of the modified accrual basis and the full accrual basis of accounting, please refer to *Note 1 – Summary of Significant Accounting Policies* in the Notes to Financial Statements section of this report.

### **The Academy's Overall Financial Position and Results of Operations**

The Statement of Net Position provides a snapshot of the Academy's overall financial position (**Table 2 below**). The Academy's net assets on June 30, 2021 were \$319,266 are the cumulative results of the Academy's operations for all years since its inception. They represent the resources the Academy has at the statement date to finance all its governmental activities, meet its cash flow needs, and provide for any future uncertainties. Capital assets, net of related debt, represent those resources that are more permanent in nature, and generally not readily converted to cash, such as land, building, and equipment. The Academy's \$24,988 of capital assets, net of related debt, compares the original cost of the assets, less accumulated depreciation, to the long-term debt used to finance them.

Because the Academy has no taxing authority, any long-term debt will be repaid from the basic per pupil foundation allowance received from the State, other fundraising efforts undertaken by the Academy, or gifts to the Academy.

# COMMONWEALTH COMMUNITY DEVELOPMENT ACADEMY

## Management's Discussion and Analysis

**For the Year Ending June 30, 2021**

Table - 2 Commonwealth Academy's Net Assets		
	2020	2021
Current assets	\$436,290	\$550,697
Capital assets, net	30633	24,988
<b>Total assets</b>	<b>503,584</b>	<b>\$575,685</b>
Deferred Pension Related Expense		
Total Deferred Outflows of Resources		
Current liabilities	130,576	153,649
Long-term liabilities Net pension Liability	640,155	246,166
Net deposition of fixed assets		(143,396)
<b>Total liabilities</b>	<b>770,731</b>	<b>102,770</b>
Net assets (deficit):		
Invested in capital assets, net of related debt	30,663	24,988
Unrestricted	(297,810)	294,278
<b>Total net assets (deficit)</b>	<b>\$ (267,147)</b>	<b>\$319,266</b>

# COMMONWEALTH COMMUNITY DEVELOPMENT ACADEMY

## Management's Discussion and Analysis

### For the Year Ending June 30, 2021

The *Statement of Activities* provides a snapshot of the results of operations for the Academy for the fiscal year 2020-21. **Table 3** provides a summary view of the change in net assets for 2020-21 and comparative data for the fiscal year 2020-21.

**Table 3**

Summary of the Statement of Activities	<b>Government Activities</b> (In thousands)	
<b>Revenue</b>	Year Ended 2020	Year Ended 2021
Program revenue:		
Charges for services	\$ 0	\$ 0
Operating grants/contributions	432.7	703.4
General revenue:		
State foundation allowance	1,680.5	1,675.7
Other	80.6	60.0
Total revenue	2,193.8	2,439.1
<b>Function/Program Expenses</b>		
Instruction	704.2	751.5
Support services	1,271.1	1,407.6
Food services	175.5	200.9
Depreciation	31.2	31.0
Total expenses	2,182.0	2391.0
Pension Related Items	613.2	537.3
State Aid Funding for Pension		
<b>Increase/(Decrease) in Net Assets</b>	<b>\$ 625.0</b>	<b>\$ 586.4</b>

As seen in **Table 3** above, the total cost of the Academy's governmental activities for the year was \$2,390,706. Grants and contributions to specific programs also contribute to the Academy's funding (\$703,419). However, most of the Academy's activities are funded from its State foundation grants (\$1,675,720). Other miscellaneous funding sources, such as interest income and local grants also helped fund the Academy's governmental activities (\$60,594).

The Academy's Board of Directors and Administration work closely together to ensure the Academy's limited resources are allocated as efficiently and effectively as possible to benefit the approximately 196 students.

# **COMMONWEALTH COMMUNITY DEVELOPMENT ACADEMY**

## **Management's Discussion and Analysis**

**For the Year Ending June 30, 2021**

### **The Academy's Funds**

As noted earlier, the Academy's funds are how the Academy's Board of Directors and Administration monitor the Academy's business in the current year. Budgets and appropriations are approved each year for the General and Special Revenue Funds.

The General Fund is the principal operating Fund of the Academy. This is the Fund in which all the Academy's activities related to the operation of the Academy, except those activities required by law to be entered in other Funds are recorded. This year's general fund balance increased by \$54,703.

The Special Revenue Funds are used to account for activities where there is a need to determine the results of operations. The Academy's Special Revenue Funds is comprised of a Food Services Fund. The General Fund received operating transfers from the Special Revenue Fund totaling \$17,044 which was more than current year expenditures.

### **The Academy's General Fund Budgetary Highlights**

As noted earlier, the General Fund is the Fund in which all the Academy's activities related to the operation of the Academy, except those activities required by law to be entered in other Funds, are recorded. State law requires that the Academy periodically amend its budgets to ensure that expenditures do not exceed appropriations.

During the year, the Academy revised its budget in response to and/ or in anticipation of changing operating conditions. The Academy, during the budgeting process, underbudgeted the After-school tutoring program and this was the primary cause of the excess spending over budget.

The Academy participated in the Michigan State Aid Note (SAN) program for the 2020-21 school year and received \$300,000 to cover expenses until the first state aid payment was received in October 2020. The \$23,137.87 note repayment was deducted from monthly state aid payments and was completely repaid in August 2021.

The Academy's Board of Director approved two budget amendments during the year. It was revised twice during the year. The reader will find a schedule showing the Academy's initial budget, final budget, and actual expenditure comparisons for the General Fund in the ***Required Supplemental Information*** section of this report.

# COMMONWEALTH COMMUNITY DEVELOPMENT ACADEMY

## Management's Discussion and Analysis

For the Year Ending June 30, 2021

### The Academy's Capital Asset Activity

At June 30, 2021, the Academy had \$31,009 invested in capital assets, after accumulated depreciation (see **Table 4** below). Capital assets include modular classrooms, building improvements, school buses, equipment and furniture.

**Table 4**

Capital Assets	Government Activities (In thousands)	
	Year ended 2020	Year Ended 2021
<b>Capital Assets, net of depreciation</b>		
Building Improvements	\$ 0	\$ 0
Equipment and furniture	30.6	24.9
Modular Classrooms	0	0
School Buses	0.0	0.0
Total Capital Assets	<u>\$ 30.6</u>	<u>\$ 24.9</u>

### The Academy's Fiscal Future

The Academy's Administration and Board of Directors consider many factors in the budget process. Factors and conditions expected to have a significant financial impact on the Academy's fiscal future:

- ◆ One of the most important factors affecting the budget is student enrollment. Majority of the Academy's revenue is derived from a funding formula based on student enrollment. The State of Michigan's formula to allocate revenue to school districts and public-school academies is based on the blending of two official pupil counts and a per-pupil funding allocation (called the "Foundation Allowance"). The resulting enrollment blend is multiplied by the State's estimated per pupil Foundation Allowance of \$8,800.
- ◆ Under State law, public school academies cannot assess property taxes. As a result, the Academy's revenue is heavily dependent on State funding and on the health of the State's School Aid Fund. The actual revenue received by the School Aid Fund depends on the State's ability to collect revenues to fund its appropriation to school districts and public-school academies.
- ◆ Health and other employee benefits continue to rise. The Academy leases its employees from a third-party vendor and have discontinued participation in the Michigan Retirement Fund as of September 2016.

# **COMMONWEALTH COMMUNITY DEVELOPMENT ACADEMY**

## **Management's Discussion and Analysis**

### **For the Year Ending June 30, 2021**

- ♦ The Academy participated in the Michigan State Aid Note (SAN) program for the 2020-21 school year and received \$300,000 to cover expenses until the first state aid payment is received in October 2021. The note repayment will be deducted from monthly state aid payments and will be completely repaid by August 2022.

#### **Contacting the Academy**

This financial report is designed to provide the Academy's stakeholders with a general overview of the Academy's finances and to demonstrate the Academy's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the Academy's Executive Director, Ms. Angela Moore, at 13477 Eureka, Detroit, MI, 48212.

**COMMONWEALTH COMMUNITY DEVELOPMENT ACADEMY**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2021**

	<u><b>Governmental Activities</b></u>
<b>Assets</b>	
Cash and cash equivalents	\$ 89,597
Other receivables	57,917
State aid	403,183
Federal	
Other	
Prepaid expenses	-
Capital assets, net of accumulated depreciation	<u>24,988</u>
Total assets	<u><u>575,685</u></u>
 Deferred Outflows of Resources:	
Related to pension	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u><u>-</u></u>
 <b>Deferred Outflows of Resources</b>	
<b>Liabilities</b>	
Accounts payable	\$ 2,723
Note payable	53,421
Accrued payroll and benefits	97,505
Salaries payable	
<u>Net pension liability</u>	<u>-</u>
Total liabilities	<u><u>153,649</u></u>
 <b>DEFERRED INFLOWS OF RESOURCES:</b>	
Related to state aid funding for pensions	246,166
Net deposition of Fixed Assets	<u>(143,396)</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u><u>102,770</u></u>
 <b>Net Position</b>	
Invested in capital assets, net of related debt	24,988
Unrestricted	<u>294,278</u>
Total net position	<u><u>\$ 319,266</u></u>

See accompanying notes to financial statements

**COMMONWEALTH COMMUNITY DEVELOPMENT ACADEMY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2021**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Governmental Activities</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Expenses) Revenues and Changes in Net Position</u>
<b>Governmental Activities</b>				
Instruction	\$ 751,536	\$ -	\$ 519,488	\$ (232,048)
Supporting services				
Pupil support services	36,462	-		(36,462)
Instructional staff services	131,601	-	-	(131,601)
General administrative services	216,553	-	-	(216,553)
School administrative services	80,788	-	-	(80,788)
Business services	56,161	-	-	(56,161)
Operations and maintenance	623,052	-	-	(623,052)
Pupil transportation	112,412	-	-	(112,412)
Central services	147,706	-	-	(147,706)
Fundraising			-	-
Community services	2,450			(2,450)
Food services	200,976		183,932	(17,044)
Depreciation	31,009	-	-	(31,009)
	<u>31,009</u>	<u>-</u>	<u>-</u>	<u>(31,009)</u>
Total governmental activities	<u>\$ 2,390,706</u>	<u>\$ -</u>	<u>\$ 703,420</u>	<u>\$ (1,687,286)</u>
General revenues				
State aid - formula grants				1,675,720
Other revenue				60,594
Total general revenues				<u>1,736,314</u>
Pension Related Item				537,385
State aid funding for pension				
<b>Change in Net Position</b>				586,413
<b>Net Position - July 1, 2020</b>				<u>(267,147)</u>
<b>Net Position - June 30, 2021</b>				<u>\$ 319,266</u>



**COMMONWEALTH COMMUNITY DEVELOPMENT ACADEMY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2021**

	ASSETS			
	General Fund	Food Service Fund	General Fixed Assets	Total Governmental Funds
Cash and cash equivalents	\$ 89,597	\$ -	\$ -	\$ 89,597
Due from other governmental units	403,183	-	-	\$ 403,183
Other receivables	57,917	-	-	\$ 57,917
Fixed Assets	-	-	24,988	\$ 24,988
Prepaid expenditures	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 550,697</u>	<u>\$ -</u>	<u>\$ 24,988</u>	<u>\$ 575,685</u>

**LIABILITIES AND FUND BALANCES**

**Liabilities**

Accounts payable	\$ 2,723	\$ -	\$ -	\$ 2,723
Note payable		-		0
Due to other funds	-			0
Accrued expenses		-		0
Payroll Liabilities				0
Salaries Payable	97,505			97,505
Deferred Revenue				0
Loan payable	53,421			53,421
Salaries payable		-		-
Total current liabilities	<hr/> 153,649	<hr/> -	<hr/> -	<hr/> 153,649

Total liabilities

**Fund Balances**

Non-Spendable Fund Balance:				
Investment in general fixed assets	-	-	24,988	24,988
Unrestricted fund balance:				
Unassigned fund balance	<hr/> 397,048	<hr/> -	<hr/>	<hr/> 397,048
Total fund balances	<hr/> 397,048	<hr/> -	<hr/> 24,988	<hr/> 422,036

Total liabilities and fund  
balances

<u>\$ 550,697</u>	<u>\$ -</u>	<u>\$ 24,988</u>	<u>\$ 575,685</u>
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See accompanying notes to financial statements

**COMMONWEALTH COMMUNITY DEVELOPMENT ACADEMY  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2021**

**Total Fund Balances - Governmental Funds** \$ 397,048

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, therefore, not reported as assets in governmental funds

Cost of capital assets	\$ 941,516	
Accumulated depreciation	<u>(916,528)</u>	<u>24,988</u>
Prior period adjustment		

**Non-current liabilities are not due and payables in the current period , and therefore are not recorded as liabilities in the funds statement. Lng-term liabilities at year end consist of:**

Note Payable

**Net deposition of Fixed Assets** \$ 143,396

**Deferred outflows and inflows of resources related to pensions and deferred charges or credits on debt refundings are applicable to future reporting periods and, therefore, are not reported in the funds.**

Pension related items		<u>\$ (246,166)</u>
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**Total Net Position - Governmental Activities** \$ 319,266

**Commonwealth Community Development Academy**  
**Combined Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**All Government Fund Types**  
**Period Ended June 30, 2021**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>			
Local sources	\$ 60,594	\$ -	\$ 60,594
State sources	1,675,720	7,359	1,683,079
Federal sources	519,488	176,573	696,061
Other financing sources	0	17,044	17,044
Total revenues	2,255,802	200,976	2,456,778
<b>Expenditures</b>			
Current			
Instructional services	\$ 754,536	-	754,536
Supporting services:			
Pupil support services	36,463	-	36,463
Instructional staff services	131,601	-	131,601
General administration services	216,553	-	216,553
School administration services	80,788	-	80,788
Business services	56,161	-	56,161
Operations and maintenance	623,385	-	623,385
Pupil transportation	112,412	-	112,412
Facilities Acquisition	22,000	-	22,000
Central services	147,706	-	147,706
Community Services	2,450	-	2,450
Food services	-	200,976	200,976
Total expenditures	2,184,055	200,976	2,385,031
Other financing uses	17,044	-	17,044
Total expenditures and other financing uses	2,201,099	200,976	2,402,075
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	54,703	(0)	54,703
<b>Fund Balances - Beginning of year 06/30/2020</b>	342,345	-	342,345
<b>Fund Balances - End of year 06/30/2021</b>	<u>\$ 397,048</u>	<u>\$ (0)</u>	<u>\$ 397,048</u>

...

See accompanying notes to financial statements

**COMMONWEALTH COMMUNITY DEVELOPMENT ACADEMY  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF  
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2021**

**Total Net Change in Fund Balances - Governmental Funds** \$ 54,703

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which depreciation exceeds capital outlays in the period:

Depreciation expense	(31,009)	
Sale of fixed asset		
Capital outlays (site improvements, equipment and furniture expenditures)	22,000	
	<u>3,334</u>	<u>(5,675)</u>

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the government funds.

Pension related items		537,385
State aid funding for pension		<u>-</u>
		<u>537,385</u>

**Change in Net Position of Governmental Activities** \$ 586,413

See accompanying notes to financial statements

**COMMONWEALTH COMMUNITY DEVELOPMENT ACADEMY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2021**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Commonwealth Community Development Academy (the “Academy”) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies:

**A. Reporting Entity**

Commonwealth Community Development Academy is a public-school academy that provides instructional and support services to elementary school students from grades K-8. The Academy is located in a leased building located in the City of Detroit. The Academy was formed as a public-school academy pursuant to the Michigan School Code of 1976, as amended by Act No. 362 of the Public Acts of 1993 and Act No. 416 of the Public Acts of 1994.

The Academy entered into a five-year contract with Eastern Michigan University to charter a public-school academy in September 1996. In 2019, the contract was renewed for five years ending June 30, 2024. The contract requires the Academy to act exclusively as a governmental agency and not undertake any action inconsistent with its status as an entity authorized to receive state school aid funds pursuant to the State Constitution. The Academy is organized and administered by a Board of Directors in compliance with the School Code provisions. The Academy pays Eastern Michigan University Board of Trustees 3 percent of State Aid as administrative fees. The total administrative fee paid through Commonwealth Community Development Academy to the Eastern Michigan University Board of Trustees was approximately \$35,903.20 for the year ended June 30, 2021.

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

**COMMONWEALTH COMMUNITY DEVELOPMENT ACADEMY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2021**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. District-Wide and Fund Financial Statements**

The district-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. Substantially all interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the Academy's government-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational and capital requirements of a particular function. Taxes and other items not properly included among program revenue are reported instead as general revenue.

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

**COMMONWEALTH COMMUNITY DEVELOPMENT ACADEMY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2021**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(Continued)**

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

**District-Wide Statements**

The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The effect of the interfund activity has been substantially eliminated from the government-wide financial statements.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes and unrestricted State aid.

**Fund-Based Statements**

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 government considers revenue 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 required under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims and judgments, are recorded only when payment is due.

**COMMONWEALTH COMMUNITY DEVELOPMENT ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2021**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation  
(Continued)**

**Fund-Based Statements (Continued)**

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 State of Michigan utilizes a foundation allowance approach, which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The State portion of the foundation is provided from the State's School Aid Fund and is recognized as revenue in accordance with state law.

The Academy also receives revenue from the State of Michigan to administer certain categorical educational programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain categorical funds require an accounting to the State of the expenditures incurred. For categorical funds meeting this requirement, funds received which are not expected to be expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.



**COMMONWEALTH COMMUNITY DEVELOPMENT ACADEMY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2021**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation  
(Continued)**

**Fund-Based Statements (Continued)**

The Academy reports the following major governmental fund:

***General Fund***

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

Additionally, the Academy reports the following nonmajor governmental Special Revenue Fund. This fund is used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes in the Academy's food service program. Any deficit generated by this activity is the responsibility of the General Fund.

Assigned - amounts intended to be used for specific purposes, as determined by the Board of Education. The Board of Education has granted the Superintendent 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 School District'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 School District's policy is to consider the funds to be spent in the following order: (1) committed, (2) assigned, (3) unassigned.

The School District has adopted a minimum fund balance policy, as follows: The Board of Education 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 10% of the preceding year's expenditures.

**COMMONWEALTH COMMUNITY DEVELOPMENT ACADEMY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2021**

**D. Assets, Liabilities, and Net Assets or Equity**

**Deposits, Cash Equivalents, and Investments**

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

The Academy believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Academy evaluates each financial institution it deposits Academy funds with and accesses the level of risk of each institution; only those institutions with an acceptable estimated risk are used as depositories.

**COMMONWEALTH COMMUNITY DEVELOPMENT ACADEMY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2021**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Assets, Liabilities, and Net Assets or Equity (Continued)**

**Deposits, Cash Equivalents, and Investments (Continued)**

The Academy is authorized by Michigan Compiled Laws, Section 129.91 to invest surplus monies in federally insured United States banks, credit unions, and savings and loan associations that have offices in Michigan. The Academy is also authorized to invest in bonds and notes, certain commercial paper, U.S. Government repurchase agreements, bankers' acceptances and mutual funds and investment pools that are composed of authorized investment vehicles.

Investments are recorded at fair value, based on quoted market prices, or estimated fair value. Pooled investment income from the General Fund is allocated to each fund based upon the balance of the principal invested.

**Capital Assets**

Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extended asset life are not capitalized. The Academy does not have any infrastructure-type assets.

**COMMONWEALTH COMMUNITY DEVELOPMENT ACADEMY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2021**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(Continued)**

**D. Assets, Liabilities, and Net Assets or Equity (Continued)**

**Capital Assets (Continued)**

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	20 – 50 years
Buses and other vehicles	5 – 10 years
Furniture and other equipment	5 – 20 years

**Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. In the fund financial statements, governmental fund types recognize bond proceeds, premiums, and discounts, as well as issuance costs, during the current period.

**Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriations or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Comparative Data**

Comparative data is not included in the Academy's financial statements.

**COMMONWEALTH COMMUNITY DEVELOPMENT ACADEMY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2021**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(Continued)**

**D. Assets, Liabilities, and Net Assets or Equity (Continued)**

District-wide financial statements (statement of net assets and statement of activities) prepared using full accrual accounting for all the Academy's activities have been provided.

Capital assets of \$24,988 (net of depreciation of (\$916,528)) are currently recorded in the governmental activities column of the statement of net assets.

The fund financial statements focus on major funds rather than fund types.

**Estimates**

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

**Budgetary Data**

The Academy is legally subject to the budgetary control requirements of the State of Michigan P.A. 621 of 1978 (the Uniform Budgetary Act). The following is a summary of the requirements of the Act:

1. Budgets must be adopted for the General Fund and Special Revenue Funds.
2. The budgets must be balanced.
3. The budgets must be amended when necessary.
4. Public hearings must be held before budget adoptions.
5. Expenditures cannot exceed budget appropriations.
6. Expenditures must be authorized by a budget before being incurred.

**COMMONWEALTH COMMUNITY DEVELOPMENT ACADEMY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2021**

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

The Academy formally adopted General Fund, and Special Revenue Fund (Food Services) budgets by function for the fiscal year ended June 30, 2021. Expenditures at this level in excess of amounts budgeted are a violation of Michigan law. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. No encumbrances were outstanding in the General Fund and Special Revenue Funds on June 30, 2021. During the current year, the budget was amended in a legally permissible manner.

The combined statement of revenues, expenditures and changes in fund balances – all governmental fund types is presented in conformity with generally accepted accounting principles. The combined statement of revenues, expenditures, and changes in fund balances – budget and actual is presented on the same basis of accounting used in preparing the adopted budget.

**NOTE 3 - DEPOSITS AND INVESTMENTS**

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

The Academy's cash and investments are subject to custodial credit risk, which is examined in more detail below:

**Custodial Credit Risk of Bank Deposits** – Custodial credit risk is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. The Academy evaluates its depositories and only those with an acceptable risk level are used for the Academy's deposits. The Academy believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits.

At year end, the Academy's deposits and investments were reported in the basic financial statements as cash and cash equivalents of \$89,597.

The deposits of the Academy were reflected in the accounts of the financial institution at \$89,597, of which 100% is covered by federal depository insurance of \$250,000.

**COMMONWEALTH COMMUNITY DEVELOPMENT ACADEMY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2021**

**NOTE 4 - CAPITAL ASSETS**

Capital assets activity of the Academy's governmental activities were as follows:

<b>Commonwealth Community Development Academy</b>				
<b>Fixed Assets 06/30/21</b>				
	<b>Balance June 30, 2020</b>	<b>Additions</b>	<b>Disposals and Adjustments</b>	<b>Balance June 30, 2021</b>
<b>Assets being depreciated:</b>				
Building & Improvements	\$ 287,588	\$ 22,000		\$ 309,588
Equipment & Furniture	628,594	3,334		631,928
Modular classrooms	-	-		-
Buses	-	-		-
<b>Subtotal</b>	<b>916,182</b>	<b>25,334</b>	-	<b>941,516</b>
<b>Accumulated depreciation:</b>				
Building & Improvements	287,587	265		287,852
Furniture & Equipments	597,932	30,744		628,676
Modular classrooms	-	-		-
Buses	-	-		-
<b>Subtotal</b>	<b>885,519</b>	<b>31,009</b>	-	<b>916,528</b>
<b>Net capital assets being Depreciated</b>	<b>30,663</b>	<b>(5,675)</b>	-	<b>24,988</b>
<b>Net capital assets</b>	<b>\$ 30,663</b>	<b>\$ (5,675)</b>	<b>\$ -</b>	<b>\$ 24,988</b>
Building & improvements	41.5 Years			
Furniture & Equipments	20 Years			
Modular classrooms	20 Years			
Buses	5 Years			
New assets depreciated 1/2 year in the year of acquisition				

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

**COMMONWEALTH COMMUNITY DEVELOPMENT ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2021**

**NOTE 5 - RISK MANAGEMENT**

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

**NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS**

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 option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees’ Retirement Act.

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 of Michigan Investment Board serves as the investment fiduciary and custodian for the System.

Benefits Provided - Overall

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

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

Benefits Provided - Pension

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



**COMMONWEALTH COMMUNITY DEVELOPMENT ACADEMY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2021**

**NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)**

Benefits Provided - Pension (continued)

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

Pension Reform 2010

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

Pension Reform 2012

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

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

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

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

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

**COMMONWEALTH COMMUNITY DEVELOPMENT ACADEMY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2021**

**NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)**

Pension Reform 2012 (continued)

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

Option 3 - Members voluntarily elected not to increase their contribution to the pension fund and maintain their current level of contribution to the pension fund. The pension formula for their years of service as of the day before their transition date will include a 1.5% pension factor. The pension formula for any service thereafter will include a 1.25% pension factor.

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

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

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

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

**COMMONWEALTH COMMUNITY DEVELOPMENT ACADEMY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2021**

**NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)**

Pension Reform of 2017

On July 13, 2017, the Governor signed Public Act 92 of 2017 into law. The legislation closed the Pension Plus plan to newly hired employees as of February 1, 2018 and created a new, optional Pension Plus 2 plan with similar plan benefit calculations but containing a 50/50 cost share between the employee and the employer, including the cost of future unfunded liabilities. The assumed rate of return on the Pension Plus 2 plan is 6%. Further, under certain adverse actuarial conditions, the Pension Plus 2 plan will close to new employees if the actuarial funded ratio falls below 85% for two consecutive years. The law included other provisions to the retirement eligibility age, plan assumptions, and unfunded liability payment methods.

Benefits Provided - Other Postemployment Benefit (OPEB)

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 health care recipient. For members who first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP-Graded plan members), the subsidy is the maximum allowed by statute. To limit future liabilities of Other Postemployment Benefits, members who first worked on or after July 1, 2008, (MIP-Plus plan members), have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning January 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date.

Retiree Healthcare Reform of 2012

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

Under Public Act 300 of 2012, members were given the choice between continuing the 3% contribution 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 will be deposited into their 401(k) accounts.

**COMMONWEALTH COMMUNITY DEVELOPMENT ACADEMY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)**

Regular Retirement (no reduction factor for age)

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

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

Member Contributions

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

Employer Contributions

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The normal cost is the annual cost assigned under the actuarial funding method, to the current and subsequent plan years. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis.

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

**COMMONWEALTH COMMUNITY DEVELOPMENT ACADEMY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)**

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

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

Employer Contributions (continued)

The District's pension contributions for the year ended June 30, 2021 were equal to the required contribution total. Total pension contributions were approximately \$0. Of the total pension contributions approximately \$0 was contributed to fund the Defined Benefit Plan and approximately \$0 was contributed to fund the Defined Contribution Plan.

The District's OPEB contributions for the year ended June 30, 2021 were equal to the required contribution total. Total OPEB contributions were approximately \$0. Of the total OPEB contributions approximately \$0 was contributed to fund the Defined Benefit Plan and approximately \$0 was contributed to fund the Defined Contribution Plan.

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

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

*Pension Liabilities*

The net pension liability was measured as of September 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2019 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined.

**COMMONWEALTH COMMUNITY DEVELOPMENT ACADEMY  
NOTES TO FINANCIAL STATEMENTS**

<u><i>MPSERS (Plan) Non-university employers:</i></u>	<u>September 30, 2020</u>	<u>September 30, 2019</u>
Total pension liability	\$ 85,290,583,799	\$ 83,442,507,212
Plan fiduciary net position	\$ 50,939,496,006	\$ 50,325,869,388
Net pension liability	\$ 34,351,087,793	\$ 33,116,637,824
Proportionate share	0.00000%	0.00000%
Net Pension liability for the District	\$ -	\$ -

**COMMONWEALTH COMMUNITY DEVELOPMENT ACADEMY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)**

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

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

For the year ended June 30, 2021, the District recognized pension benefit of \$537,385.

At June 30, 2021, the Reporting Unit 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
Change in assumptions	\$ -	\$ -
Net difference between projected and actual earnings on pension plan investments	-	-
Differences between expected and actual experience	-	-
Changes in proportion and difference between employer contributions and proportionate share of contributions	-	(246,166)
Reporting Unit's contributions subsequent to the measurement date	-	-
	\$ -	\$ (246,166)

\$0, reported as deferred outflows of resources related to pensions resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

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

Year ended September 30,	Amount
2021	\$ (246,166)
2022	-
2023	-
2024	-

**COMMONWEALTH COMMUNITY DEVELOPMENT ACADEMY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 - DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (Continued)**

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

*OPEB Liabilities*

The net OPEB liability was measured as of September 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation date of September 30, 2019 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined.

<u>MPSERS (Plan) Non-university employers:</u>	<u>September 30, 2020</u>	<u>September 30, 2019</u>
Total OPEB liability	\$ 13,206,903,534	\$ 13,925,860,688
Plan fiduciary net position	\$ 7,849,636,555	\$ 6,748,112,668
Net OPEB liability	\$ 5,357,266,979	\$ 7,177,748,020
Proportionate share	0.00000%	0.00000%
Net OPEB liability for the District	\$ -	\$ -

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

For the year ended June 30, 2021, the District recognized OPEB expense of \$0.

On June 30, 2021, the Reporting Unit reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of resources</u>	<u>Deferred (Inflows) of resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ -
Differences between expected and actual experience	-	-
Changes in proportion and difference between employer contributions and proportionate share of contributions	-	-
Reporting Unit's contributions subsequent to the measurement date	-	-
	<u>\$ -</u>	<u>\$ -</u>



**COMMONWEALTH COMMUNITY DEVELOPMENT ACADEMY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 - DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (Continued)**

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

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

\$0, reported as deferred outflows of resources related to OPEB resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year.

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

Year ended September 30,	Amount
2021	\$ -
2022	-
2023	-
2024	-
2025	-

Actuarial Assumptions

**Investment Rate of Return for Pension** - 6.80% a year, compounded annually net of investment and administrative expenses for the MIP, Basic and Pension Plus groups and 6.00% a year, compounded annually net of investment and administrative expenses for Pension Plus 2 Plan.

**Investment Rate of Return for OPEB** - 6.95% a year, compounded annually net of investment and administrative expenses.

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

**Inflation** - 3.0%.

**Mortality Assumptions:**

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

**COMMONWEALTH COMMUNITY DEVELOPMENT ACADEMY  
NOTES TO FINANCIAL STATEMENTS**

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

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

**COMMONWEALTH COMMUNITY DEVELOPMENT ACADEMY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 - DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (Continued)**

Actuarial Assumptions (continued)

**Experience Study** - The annual actuarial valuation report of the System used for these statements is dated September 30, 2019. Assumption changes as a result of an experience study for the periods 2012 through 2017 have been adopted by the System for use in the determination of the total pension and OPEB liability beginning with the September 30, 2018 Comprehensive Annual Financial Report.

**The Long-Term Expected Rate of Return on Pension and Other Postemployment Benefit Plan Investments** - The pension rate was 6.80% (MIP, Basic, and Pension Plus Plan) and 6.00% for Pension Plus 2 Plan, and the other postemployment benefit rate was 6.95%, net of investment and administrative expenses was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension and OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

**Healthcare Cost Trend Rate for Other Postemployment Benefit** – 7.0% for year one and graded to 3.5% in year fifteen.

**Additional Assumptions for Other Postemployment Benefit Only - Applies to Individuals Hired Before September 4, 2012:**

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

Survivor Coverage - 80% of male retirees and 67% of female retirees are assumed to have coverage 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.

**COMMONWEALTH COMMUNITY DEVELOPMENT ACADEMY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)**

Actuarial Assumptions (continued)

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

<u>Investment Category</u>	<u>Target Allocation</u>	<u>Expected Real Rate of Return</u>
Domestic Equity Pools	25.00%	5.60%
International Equity Pools	15.00%	7.40%
Private Equity Pools	16.00%	9.30%
Real Estate and Infrastructure Pools	10.00%	4.90%
Fixed Income Pools	10.50%	0.50%
Absolute Return Pools	9.00%	3.20%
Real Return/Opportunistic Pools	12.50%	6.60%
Short Term Investment Pools	2.00%	-0.10%
	<u>100.0%</u>	

\* Long term rate of return are net of administrative expenses and 2.1% inflation.

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

**Pension Discount Rate** - A single discount rate of 6.80% was used to measure the total pension liability (6.00% for the Pension Plus 2 Plan). This discount rate was based on the expected rate of return on pension plan investments of 6.80% (6.00% for the Pension Plus 2 Plan). The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions from school districts will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**COMMONWEALTH COMMUNITY DEVELOPMENT ACADEMY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)**

Actuarial Assumptions (continued)

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

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate** - The following presents the Reporting Unit's proportionate share of the net pension liability calculated using a single discount rate of 6.80% (6.00% for the Pension Plus 2 Plan), as well as what the Reporting Unit's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	Pension		
	1% Decrease	Discount rate	1% Increase
Reporting Unit's proportionate share of the net pension liability	\$ -	\$ -	\$ -

**Sensitivity of the Net OPEB Liability to Changes in the Discount Rate** - The following presents the Reporting Unit's proportionate share of the net OPEB liability calculated using a single discount rate of 6.95%, as well as what the Reporting Unit's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	Other postemployment benefit		
	1% Decrease	Discount rate	1% Increase
Reporting Unit's proportionate share of the net OPEB liability	\$ -	\$ -	\$ -

**COMMONWEALTH COMMUNITY DEVELOPMENT ACADEMY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)**

Actuarial Assumptions (concluded)

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

	Other postemployment benefit		
	1% Decrease	Current Healthcare cost trend rates	1% Increase
Reporting Unit's proportionate share of the net OPEB liability	\$ -	\$ -	\$ -

Pension and OPEB Plan Fiduciary Net Position

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

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

**REQUIRED SUPPLEMENTARY INFORMATION**

**COMMONWEALTH COMMUNITY DEVELOPMENT ACADEMY  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY  
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN  
LAST 10 FISCAL YEARS (DETERMINED AS OF PLAN YEAR ENDED SEPTEMBER 30)**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Reporting unit's proportion of net pension liability (%)	0.00000%	0.00000%	0.00000%	0.00000%	0.00897%	0.01085%	0.01195%
Reporting unit's proportionate share of net pension liability	\$ -	\$ -	\$ -	\$ -	\$ 2,238,955	\$ 2,649,468	\$ 2,792,627
Reporting unit's covered-employee payroll	\$ -	\$ -	\$ -	\$ -	\$ 736,254	\$ 910,240	\$ 1,047,676
Reporting unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%	0.00%	304.10%	304.38%	266.55%
Plan fiduciary net position as a percentage of total pension liability	59.72%	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the District presents information for those years for which information is available.



**COMMONWEALTH COMMUNITY DEVELOPMENT ACADEMY  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE REPORTING UNIT'S PENSION CONTRIBUTIONS  
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN  
LAST 10 FISCAL YEARS (DETERMINED AS OF THE YEAR ENDED JUNE 30)**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contributions	\$ -	\$ -	\$ -	\$ -	\$ 16,645	\$ 219,611	\$ 198,771
Contributions in relation to statutorily required contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,645</u>	<u>219,611</u>	<u>198,771</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reporting unit's covered-employee payroll	\$ -	\$ -	\$ -	\$ -	\$ 68,660	\$ 880,747	\$ 933,997
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%	24.24%	24.93%	21.28%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the District presents information for those years for which information is available.

**COMMONWEALTH COMMUNITY DEVELOPMENT ACADEMY  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE SHARE  
OF THE NET OPEB LIABILITY  
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN  
LAST 10 FISCAL YEARS (DETERMINED AS OF PLAN YEAR ENDED SEPTEMBER 30)**

	2020	2019	2018	2017
Reporting unit's proportion of net OPEB liability (%)	0.00000%	0.00000%	0.00000%	0.00000%
Reporting unit's proportionate share of net OPEB liability \$	-	-	-	-
Reporting unit's covered-employee payroll \$	-	-	-	-
Reporting unit's proportionate share of net OPEB liability as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of total OPEB liability	59.44%	48.46%	42.95%	36.39%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the District presents information for those years for which information is available.

**COMMONWEALTH COMMUNITY DEVELOPMENT ACADEMY  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE REPORTING UNIT'S OPEB CONTRIBUTIONS  
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN  
LAST 10 FISCAL YEARS (DETERMINED AS OF THE YEAR ENDED JUNE 30)**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contributions	\$ -	\$ -	\$ -	\$ -
Contributions in relation to statutorily required contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reporting unit's covered-employee payroll	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the District presents information for those years for which information is available.

**COMMONWEALTH COMMUNITY DEVELOPMENT ACADEMY  
SCHEDULE OF NET PENSION LIABILITY  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**NOTE 7 - PENSION INFORMATION**

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

Changes of assumptions – there were no changes of assumptions in 2021.

**NOTE 8 - OPEB INFORMATION**

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

Changes of assumptions - the assumption changes for 2021 were:

Healthcare cost trend rate decreased to 7.00% Year 1 graded to 3.50% Year 15 from 7.50% Year 1 graded to 3.50% Year 12.

**REQUIRED SUPPLEMENTAL INFORMATION**

**COMMONWEALTH COMMUNITY DEVELOPMENT ACADEMY  
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Budgeted Amounts</u>		<u>Actual (GAAP Basis)</u>	<u>Variances Over/(Under)</u>
	<u>Original</u>	<u>Final</u>		<u>Final to Actual</u>
<b>Revenues</b>				
Local revenues	\$ 23,699	23,699	60,594	\$ 36,895
State program revenues	1,733,123	1,678,153	1,675,720	(2,433)
Federal program revenues	425,122	499,364	519,488	20,124
Total revenues	2,181,944	2,201,216	2,255,802	54,586
<b>Expenditures</b>				
Current				
Basic Program	401,291	418,476	371,493	(46,983)
Added Needs	380,610	338,925	383,043	44,118
Supporting services	1,381,860	1,398,074	1,405,069	6,995
Community services			2,450	2,450
Loan principal and interest payment	-	-	-	-
Facilities Acquisition	-	30,000	22,000	(8,000)
Total expenditures	2,163,761	2,185,475	2,184,055	(1,420)
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	18,183	15,741	71,747	56,006
<b>Other Financing Sources (Uses)</b>				
Operating transfers - in			-	-
Operating transfers - out	(15,000)	(15,000)	(17,044)	(2,044)
Total other financing sources (uses)	(15,000)	(15,000)	(17,044)	(2,044)
<b>Net Change in Fund Balance</b>	3,183	741	54,703	53,962
<b>Fund Balance - July 1, 2020</b>	308,616	342,345	342,345	-
<b>Fund Balance - June 30, 2021</b>	\$ 311,799	\$ 343,086	\$ 397,048	\$ 53,962

See accompanying notes to financial statements

COMMONWEALTH COMMUNITY  
DEVELOPMENT ACADEMY  
REPORT TO THE BOARD OF DIRECTORS

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JUNE 30, 2021

# Wilkerson & Associate P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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DEARBORN, MICHIGAN 48126  
313-982-4340 FAX 313-982-4342

LARRY WILKERSON, C.P.A.  
THOMAS E. WILKERSON, C.P.A.

To the Board of Directors of  
Commonwealth Community Development Academy

We have recently completed our audit of the basic financial statements of Commonwealth Community Development Academy (the "Academy") as of and for the year ended June 30, 2021. In addition to our audit report, we are providing the following required audit communication, recommendations, and informational items which impact the Academy:

	<u>Page(s)</u>
<b>Results of Audit</b>	<b>2-5</b>
<b>Recommendations</b>	<b>6</b>
<b>Informational Items</b>	<b>6-7</b>

We are grateful for the opportunity to be of service to Commonwealth Community Development Academy. Should you have any questions regarding the comments in this report, please do not hesitate to call.

*Wilkerson & Associate PC*

October 23, 2021

**Members: A.I.C.P.A. and M.I.C.P.A.**



To the Board of Directors  
Commonwealth Community Development Academy  
October 23, 2021

## **Results of the Audit**

We have audited the financial statements of Commonwealth Community Development Academy (the “Academy”) as of and for the year ended June 30, 2021 and have issued our report thereon dated October 23, 2021. Professional standards require that we provide you with the following information related to our audit.

### **Our Responsibility Under U.S. Generally Accepted Auditing Standards**

As stated in our engagement letter dated February 28, 2021, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. We are responsible for planning and performing the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of the Academy. Our consideration of internal control was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters and our audit of the financial statements does not relieve you or management of your responsibilities.

Our audit of the Academy’s financial statements has also been conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Under *Government Auditing Standards*, we have made some assessments of the Academy’s compliance with certain provisions of laws, regulations, contracts, and grant agreements. While those assessments are not sufficient to identify all noncompliance with applicable laws, regulations, and contract provisions, we are required to communicate all noncompliance conditions that come to our attention. We have communicated those conditions in a separate letter dated October 23, 2021 regarding our consideration of the Academy’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements.

To the Board of Directors  
Commonwealth Community Development Academy  
October 23, 2021

We are also obligated to communicate certain matters related to our audit of those responsible for the governance of the Academy, including certain instances of error or fraud and significant deficiencies in internal control that we identify during our audit. In certain situations, *Government Auditing Standards* require disclosure of illegal acts to applicable government agencies. If such illegal acts were detected during our audit, we would be required to make disclosures regarding these acts to applicable government agencies. No such disclosures were required.

### **Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters during the preliminary audit phase.

### **Significant Audit Findings**

#### ***Qualitative Aspects of Accounting Practices***

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter. We will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Academy are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2021.

We noted no transactions entered into by the Academy during the year for which there is a lack of authoritative guidance or consensus.

There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no significant estimates included in this year's financial statements.

To the Board of Directors  
Commonwealth Community Development Academy  
October 23, 2021

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statements disclosures are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive disclosures included in the financial statements.

***Difficulties Encountered in Performing the Audit***

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

***Corrected and Uncorrected Misstatements***

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no such misstatements identified.

***Disagreements with Management***

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

***Management Representations***

We have requested certain representations from management that are included in the management representation letter dated as of the date of the audit report.

***Management Consultants with Other Independent Accountants***

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

To the Board of Directors  
Commonwealth Community Development Academy  
October 23, 2021

***Other Audit Findings or Issues***

In the normal course of our professional association with the Academy, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the Academy, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition of our retention as the Academy's auditors.

**Other Information in Documents Containing Audited Financial Statements**

Our responsibility for other information in documents containing the Academy's financial statements and report does not extend beyond the financial statements. We do not have an obligation to determine whether or not such information is properly stated. However, we read the management's discussion and analysis and budgetary comparison schedule and nothing came to our attention that caused us to believe that such information, or its manner of presentation is materially inconsistent with the information or manner of its presentation in the financial statements.

In addition to the comments and recommendations in this letter, our observations and comments regarding the Academy's internal controls, including any significant deficiencies or material weaknesses that we identified, have been reported to you in the 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*.

This information is intended solely for the use of the board of directors and management of Commonwealth Community Development Academy and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

*Wilkerson & Associate PC*

Larry D. Wilkerson, CPA

Commonwealth Community Development Academy  
October 23, 2021

## Recommendations

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### COMMONWEALTH COMMUNITY DEVELOPMENT ACADEMY RECOMMENDATIONS

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As a result of auditing standards required to be implemented last year, the audit continues to require a strong emphasis to be placed on the Academy's internal control systems. The primary goal of internal controls is to provide a reasonable (as opposed to absolute) protection to the Academy and its assets and financial information. During this year's audit process, we noted no items that required management to make changes; therefore, no recommendations are made for this year.

## Informational Items

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### COMMONWEALTH COMMUNITY DEVELOPMENT ACADEMY

October 23, 2021

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#### GASB Statement No. 87 – Leases

This statement is effective for the first time in the School District's June 30, 2022 financial statements. The statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows or outflows of resources based on payment provisions of the lease. The statement was issued to improve accounting and financial reporting for leases by governments. The statement establishes a single model for lease accounting for both lessees and lessors based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The School District will have to identify and analyze all significant lease contracts to determine the lease asset and lease liability or deferred inflow or outflow of resources that will be required to be recognized upon implementation of the standard.

## Lessee Accounting under GASB 87

A lessee should recognize a lease liability and a lease asset at the commencement of the lease term, unless the maximum lease term per the lease contract is 12 months or less, or it transfers ownership of the underlying asset. The lease liability is measured at the present value of lease payments expected to be made during the lease term (less any lease incentives). The right-to use asset is measured at the amount of initial measurement of the lease liability, plus any payments made to the lessor at or before commencement of the lease term and certain direct costs incurred to place the leased asset in service. The lessee should reduce the lease liability as payments are made and recognize an outflow of resources (i.e., expense) for interest on the liability. The lease asset should be amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.