

# Flint Cultural Center Academy

## Financial Statements

June 30, 2020



## Table of Contents

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

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

**Flint Cultural Center Academy**  
**Members of the Board of Directors and Administration**  
**June 30, 2020**

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**Members of the Board of Directors**

Todd Slisher	President
John Henry	Board Member
Rodney Lontine	Board Member
Kay Schwartz	Board Member
Renita Bingham	Board Member
Lamont Richardson	Board Member
Karima Amlani-Bostick	Board Member

**Administration**

Eric Lieske	CEO
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## Independent Auditors' Report

Management and the Board of Directors  
Flint Cultural Center Academy  
Flint, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of the Flint Cultural Center Academy, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

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

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

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Flint Cultural Center Academy, as of June 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Adoption of New Account Standards

As described in Note 1 to the financial statements, during the year ended June 30, 2020, the Academy adopted GASB Statement No. 84, *Fiduciary Activities*. Our opinions are not modified with respect to this matter.

## Required Supplementary Information

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

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2020 on our consideration of the Flint Cultural Center Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Flint Cultural Center Academy's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Flint Cultural Center Academy's internal control over financial reporting and compliance.

Yeo & Yeo, P.C.

Flint, MI  
October 6, 2020

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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# Flint Cultural Center Academy Management's Discussion and Analysis June 30, 2020

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The Management Discussion and Analysis provides an overview of the Flint Cultural Center Academy's financial activities for the fiscal year ended June 30, 2020, its first year of operations.

## Financial Highlights

- The assets and deferred outflows exceeded its liabilities and deferred inflows of the Academy on June 30, 2020 by \$926,144 (net position).

The Academy's total net position increased by \$926,144.

- As of the close of the current fiscal year, the Academy's governmental funds reported combined ending fund balances of \$967,104. Fiscal year ended June 30, 2020 was the Academy's first year of operations.
- At the end of the current fiscal year, total fund balance for the general fund was \$964,423.

## Overview of the Financial Statements

The discussion and analysis are intended to serve as an introduction to the Academy's basic financial statements. The Academy's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

**Government-wide Financial Statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the Academy's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all the Academy's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Academy is improving or deteriorating.

The statement of activities presents information about the change in the Academy's net position for the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused sick days).

Both of the government-wide financial statements distinguish functions of the Academy that are principally supported by intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Academy include instruction, support services, community services, and food services. The Academy has no business-type activities as of and for the year ended June 30, 2020.

**Flint Cultural Center Academy**  
**Management's Discussion and Analysis**  
**June 30, 2020**

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**Fund Financial Statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Academy, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the Academy are governmental funds.

**Governmental Funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Academy maintains two individual governmental funds. Information is presented separately on the governmental funds balance sheet and on the governmental funds statement of revenues, expenditures, and changes in fund balances for its major fund (the general fund) and non-major fund (the food service fund).

The Academy adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided for the general fund herein to demonstrate compliance with that budget.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found after the basic financial statements of this report.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. This is limited to this management's discussion and analysis, budgetary comparison schedule, and the schedules for the MPSERS pension plan immediately following the notes to the financial statements.

**Flint Cultural Center Academy**  
**Management's Discussion and Analysis**  
**June 30, 2020**

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**Government-wide Financial Analysis**

Net position may serve over time as a useful indicator of a government's financial position. In the case of the Academy, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$926,144 at the close of the most recent fiscal year.

Summary of Net Position

	June 30, 2020
Assets	
Current Assets	\$ 1,284,199
Deferred Outflows of Resources	481,025
Liabilities	
Current	317,095
Long-Term	<u>445,846</u>
Total Liabilities	762,941
Deferred Inflows of Resources	76,139
Net Position	
Unrestricted	<u>926,144</u>
Total Net Position (Deficit)	<u>\$ 926,144</u>

**Flint Cultural Center Academy**  
**Management's Discussion and Analysis**  
**June 30, 2020**

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The changes in Net Position for the Academy are as follows:

	Changes in Net Position	June 30, 2020
General Revenue		
State of Michigan aid, unrestricted		\$2,923,702
Other sources		83,050
Program Revenue		
Operating Grants and Contributions		<u>2,007,053</u>
Total Revenues		<u>5,013,805</u>
Expenses		
Instruction		2,208,022
Supporting Services		1,547,723
Food Services		<u>331,916</u>
Total Expenses		<u>4,087,661</u>
Change in Net Position		926,144
Net Position July 1		<u>0</u>
Net Position June 30		<u>\$ 926,144</u>

**Financial Analysis of the Government's Funds**

The Academy uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

**Governmental Funds.** The focus of the Academy's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Academy's financing requirements. Unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Academy's governmental funds reported combined ending fund balances of \$967,104, an increase of \$967,104 in comparison with the prior year. Unassigned fund balance totaled \$963,611 on June 30, 2020. A portion of the fund balance is non-spendable, restricted, or committed to indicate that it is not available for new spending because the underlying assets are included in inventory and prepaid expenses, are restricted for externally imposed constraints, or committed by board action, and are not available for current expenditure.

The general fund is the chief operating fund of the Academy. At the end of the current fiscal year, the unassigned portion of fund balance was \$963,611.

**Flint Cultural Center Academy**  
**Management's Discussion and Analysis**  
**June 30, 2020**

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**General Fund Budgetary Highlights**

Differences between the original and final amended budgets were not significant. In total the budget to actual comparisons were favorable.

**Factors Affecting the Academy's Future**

The following factors were considered in preparing the Academy's budget for the 2020-21 fiscal year:

- The Academy continues to realign its general fund expenditure budget to approximate expected revenues.
- The full impact of the global pandemic that began in early 2020 is unknown. It is currently not possible to estimate the duration or severity of the potential impact of the pandemic on the district.
- The quick transition to a remote learning environment in March of 2019 was intended to reduce the opportunity for student and staff exposure to the Covid-19 virus. The academy facilitated social-emotional support and instruction through various technologies including wi-fi hotspots and laptops. The academy began its 2020-21 school year with 50% of its students attending in-person, and 50% attending remote instruction. The academy's response to the global Covid-19 pandemic included more stringent cleaning protocols in compliance with federal and state regulations. Estimated costs related to the pandemic response are included in the initial 2020-21 budget which will be amended periodically throughout the year as more information becomes available.

**Flint Cultural Center Academy**  
**Management's Discussion and Analysis**  
**June 30, 2020**

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- The academy retained approximately 93% of the students enrolled in the 2019-20 school and expanded its services to include one third grade and two grade 6 classrooms in 2020-21, its second year of operations. The academy plans to expand again beginning in the fall of 2021 with one additional fourth grade and two seventh grade classrooms.

2020-21 Initial General Fund Budget

Revenues	\$ 4,536,297
Expenditures	<u>4,055,431</u>
Net Budgeted Excess Revenues	<u><u>\$ 480,866</u></u>

**Requests for Information**

This financial report is designed to provide a general overview of the Academy's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Executive Officer at 1200 Robert T Longway Blvd, Flint, Michigan, 48503.

## BASIC FINANCIAL STATEMENTS

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**Flint Cultural Center Academy**  
**Statement of Net Position**  
**June 30, 2020**

	Governmental Activities
<b>Assets</b>	
Cash	\$ 630,331
Due from other governmental units	650,375
Inventory	2,681
Prepaid items	812
Total assets	1,284,199
<b>Deferred Outflows of Resources</b>	
Deferred amount relating to the net pension liability	315,428
Deferred amount relating to the net OPEB liability	165,597
Total deferred outflows of resources	481,025
<b>Liabilities</b>	
Accounts payable	281,130
Payroll deductions and withholdings	13,259
Accrued salaries payable	7,686
Unearned revenue	15,020
Long-term liabilities	
Net pension liability	322,778
Net OPEB liability	119,825
Due within one year	3,243
Total liabilities	762,941
<b>Deferred Inflows of Resources</b>	
Deferred amount relating to the net pension liability	29,976
Deferred amount relating to the net OPEB liability	46,163
Total deferred inflows of resources	76,139
<b>Net Position</b>	
Unrestricted	\$ 926,144

See Accompanying Notes to the Financial Statements

**Flint Cultural Center Academy**  
**Statement of Activities**  
**For the Year Ended June 30, 2020**

	Expenses	Program Revenues	Net (Expense) Revenue and Changes in Net Position
<b>Functions/Programs</b>			
Governmental activities			
Instruction	\$ 2,208,022	\$ 792,445	\$ (1,415,577)
Supporting services	1,547,723	999,508	(548,215)
Food services	331,916	215,100	(116,816)
Total governmental activities	\$ 4,087,661	\$ 2,007,053	(2,080,608)
General revenues			
State aid - unrestricted			2,923,702
Other			83,050
Total general revenues			3,006,752
Change in net position			926,144
Net position - beginning			-
Net position - ending			\$ 926,144

See Accompanying Notes to the Financial Statements

**Flint Cultural Center Academy**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2020**

	General Fund	Food Service Fund	Total Governmental Funds
<b>Assets</b>			
Cash	\$ 624,821	\$ 5,510	\$ 630,331
Due from other funds	14,117	2,681	16,798
Due from other governmental units	638,939	11,436	650,375
Inventory	-	2,681	2,681
Prepaid items	812	-	812
	<u>812</u>	<u>-</u>	<u>812</u>
Total assets	<u>\$ 1,278,689</u>	<u>\$ 22,308</u>	<u>\$ 1,300,997</u>
<b>Liabilities</b>			
Accounts payable	\$ 277,679	\$ 3,451	\$ 281,130
Due to other funds	2,681	14,117	16,798
Payroll deductions and withholdings	12,348	911	13,259
Accrued salaries payable	6,538	1,148	7,686
Unearned revenue	15,020	-	15,020
	<u>15,020</u>	<u>-</u>	<u>15,020</u>
Total liabilities	<u>314,266</u>	<u>19,627</u>	<u>333,893</u>

See Accompanying Notes to the Financial Statements

**Flint Cultural Center Academy**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2020**

	General Fund	Food Service Fund	Total Governmental Funds
<b>Fund Balance</b>			
Non-spendable			
Inventory	-	2,681	2,681
Prepaid items	812	-	812
Unassigned	963,611	-	963,611
Total fund balance	964,423	2,681	967,104
Total liabilities, deferred inflows of resources, and fund balance	\$ 1,278,689	\$ 22,308	\$ 1,300,997

See Accompanying Notes to the Financial Statements

**Flint Cultural Center Academy**  
**Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position**  
**June 30, 2020**

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**Total fund balances for governmental funds** \$ 967,104

Total net position for governmental activities in the statement of net position is different because:

Deferred outflows (inflows) of resources

Deferred outflows of resources resulting from the net pension liability	315,428
Deferred outflows of resources resulting from the net OPEB liability	165,597
Deferred inflows of resources resulting from the net pension liability	(29,976)
Deferred inflows of resources resulting from the net OPEB liability	(46,163)

Long-term liabilities applicable to governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities.

Net pension liability	(322,778)
Net OPEB liability	(119,825)
Compensated absences	<u>(3,243)</u>

**Net position of governmental activities** **\$ 926,144**

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

	General Fund	Food Service Fund	Total Governmental Funds
<b>Revenues</b>			
Local sources	\$ 819,710	\$ 8,093	\$ 827,803
State sources	3,122,689	-	3,122,689
Federal sources	140,215	207,007	347,222
Interdistrict sources	21,191	-	21,191
	<u>4,103,805</u>	<u>215,100</u>	<u>4,318,905</u>
Total revenues			
<b>Expenditures</b>			
Current			
Education			
Instruction	1,828,860	-	1,828,860
Supporting services	1,255,831	-	1,255,831
Food services	-	267,110	267,110
	<u>3,084,691</u>	<u>267,110</u>	<u>3,351,801</u>
Total expenditures			
Excess (deficiency) of revenues over expenditures	<u>1,019,114</u>	<u>(52,010)</u>	<u>967,104</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	54,691	54,691
Transfers out	(54,691)	-	(54,691)
	<u>(54,691)</u>	<u>54,691</u>	<u>-</u>
Total other financing sources (uses)			
Net change in fund balance	964,423	2,681	967,104
Fund balance - beginning	-	-	-
Fund balance - ending	<u>\$ 964,423</u>	<u>\$ 2,681</u>	<u>\$ 967,104</u>

See Accompanying Notes to the Financial Statements

**Flint Cultural Center Academy**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances**  
**of Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2020**

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**Net change in fund balances - Total governmental funds** \$ 967,104

Total change in net position reported for governmental activities in the statement of activities is different because:

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.

Contributions 694,900

Expenses are recorded when incurred in the statement of activities.

Rent expense (694,900)

Compensated absences (3,243)

The statement of net position reports the net pension liability and deferred outflows of resources and deferred inflows related to the net pension liability and pension expense. However, the amount recorded on the governmental funds equals actual pension contributions.

Net change in net pension liability (322,778)

Net change in deferrals of resources related to the net pension liability 285,452

The statement of net position reports the net OPEB liability and deferred outflows of resources and deferred inflows related to the net OPEB liability and OPEB expense. However, the amount recorded on the governmental funds equals actual OPEB contributions.

Net change in net OPEB liability (119,825)

Net change in deferrals of resources related to the net OPEB liability 119,434

**Change in net position of governmental activities** **\$ 926,144**

**Flint Cultural Center Academy**  
**Notes to the Financial Statements**  
**June 30, 2020**

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

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

**Reporting Entity**

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

On July 1, 2019, the Academy entered into a contract with the Grand Valley State University to charter a public school academy. The contract requires the Academy to act exclusively as a governmental agency and not undertake any action inconsistent with its status as an entity authorized to receive state school aid funds pursuant to the State Constitution. Grand Valley State University is the fiscal agent for the Academy and is responsible for overseeing the Academy's compliance with the contract and all applicable laws. The Academy pays Grand Valley State University three percent of the state aid foundation as administrative fees. The total administrative fees for the year to Grand Valley State University was approximately \$87,711.

The Academy is governed by an elected seven-member Board of Directors. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the Academy's reporting entity, and which organizations are legally separate component units of the Academy. The Academy has no component units.

**Other Associations**

Through a generous contribution to the Flint Cultural Center Foundation (FCCF), a supporting organization of the Flint Cultural Center

Corporation (FCCC), the Charles Stewart Mott Foundation provided the funding to build, furnish, and equip an educational center. FCCC permits the Academy to occupy the building and use of any equipment pursuant to the grant agreement which extends through June 30, 2029. In-kind rent expense and contribution revenue of \$694,900 is recognized on the Statement of Activities.

FCCC provides accounting and administrative support, information services, and custodial services to the Academy. During the year ended June 30, 2020, the Academy paid FCCC \$207,200 for these services.

Additionally, the Academy utilizes the Flint Cultural Center Campus and professionals for a portion of the education of the Academy's students. During the year ended June 30, 2020, the Academy paid the Flint Cultural Center Campus \$153,224 for these services.

The Academy's Board of Trustees includes employees of FCCC and the Flint Cultural Center Campus who are approved by the Authorizer in accordance with the Charter Contract. All Board Directors are volunteers who serve the Academy Board in their individual capacity and not as a representative of FCCC or the Flint Cultural Center Campus.

**Academy-wide Financial Statements**

The Academy's basic financial statements include both academy-wide (reporting for the academy as a whole) and fund financial statements (reporting the Academy's major funds). The academy-wide financial statements categorize all nonfiduciary activities as either governmental or business type. All of the Academy's activities are classified as governmental activities.

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

**Flint Cultural Center Academy**  
**Notes to the Financial Statements**  
**June 30, 2020**

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

The net costs (by function) are normally covered by general revenue (state sources and federal sources, interest income, etc.). The Academy does not allocate indirect costs. In creating the academy-wide financial statements the Academy has eliminated interfund transactions.

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

**Fund Financial Statements**

Major individual governmental funds are reported as separate columns in the fund financial 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 Academy considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Unrestricted state aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the

current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

The Academy reports the following major governmental funds:

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

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The Academy's Special Revenue Funds include the Food Service Fund. Operating deficits generated by these activities are generally transferred from the General Fund.

**Assets, Liabilities and Net Position or Equity**

Cash - Cash includes cash on hand.

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

Inventories and Prepaid Items - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed, rather than when purchased.

Certain payments to vendors reflect costs applicable to future fiscal years. For such payments in governmental funds the Academy follows the purchase method, and they therefore are expensed when paid in both academy-wide and fund financial statements.

Deferred Outflows of Resources - A deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period. For academy-wide financial statements, the Academy reports deferred outflows of resources as a result of pension

**Flint Cultural Center Academy**  
**Notes to the Financial Statements**  
**June 30, 2020**

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and OPEB plan earnings. This amount is the result of a difference between what the plan expected to earn from plan investments and what is actually earned. This amount will be amortized over the next four years and included in pension and OPEB expense. Changes in assumptions relating to the net pension and OPEB liabilities are deferred and amortized over the expected remaining services lives of the employees and retirees in the plans. The Academy also reported deferred outflows of resources for pension and OPEB contributions made after the measurement date. This amount will reduce the net pension and OPEB liabilities in the following year.

Compensated Absences – The CEO is the only employee who has accumulation on sick days in their contract. The contract states as follows: Administrator shall receive twelve (12) sick days annually. Upon resignation or retirement, Administrator shall be paid his per diem for each unused sick day accumulated up to the maximum allowed (45).

Pension - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Michigan Public School Employees Retirement System (MPERS) and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Postemployment Benefits Other Than Pensions - For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Michigan Public School Employees Retirement System (MPERS) and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

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

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

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

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

Assigned - amounts intended to be used for specific purposes, as determined by the Board of Directors. Residual amounts in governmental funds other than the General Fund are automatically assigned by their nature.

**Flint Cultural Center Academy**  
**Notes to the Financial Statements**  
**June 30, 2020**

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

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

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

**Use of Estimates**

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

**Eliminations and Reclassifications**

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

**Adoption of New Accounting Standards**

Statement No. 84, *Fiduciary Activities* improves the guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The focus of the criteria includes the following: (1) is the government controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The four fiduciary funds that should be reported, if applicable are: (1) pension (and other employee

benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally will report fiduciary activities that are not held in a trust or similar arrangement that meets specific criteria. Management has determined to implement the requirements of this Statement for the fiscal year ending June 30, 2020, in accordance with the original implementation date of the statement.

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

Statement No. 92, *Omnibus 2020* enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following: (1) The effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reports (2) Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan. (3) The applicability of Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and Amendments to Certain Provisions of GASB Statements 67 and 68, as amended, and No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, to reporting assets accumulated for postemployment benefits. (4) The applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements. (5) Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition. (6) Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers. (7) Reference to nonrecurring fair

**Flint Cultural Center Academy**  
**Notes to the Financial Statements**  
**June 30, 2020**

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value measurements of assets or liabilities in authoritative literature. (8) Terminology used to refer to derivative instruments. Management has implemented the required portions of this Statement and will implement the remaining requirements as each Statement referenced becomes effective.

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

**Upcoming Accounting and Reporting Changes**

Statement No. 87, *Leases* increases the usefulness of the Academy's financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. A lessee will be required to recognize a lease liability and an intangible right-to-use a lease asset, and a lessor will be required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about the Academy's leasing activities. The requirements of this Statement are effective for the fiscal year ending June 30, 2022.

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

as an expenditure for financial statements prepared using the current financial resources measurement. The requirements of this Statement are effective for the fiscal year ending June 30, 2022.

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

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

Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines

**Flint Cultural Center Academy**  
**Notes to the Financial Statements**  
**June 30, 2020**

or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. This statement is effective for the year ending June 30, 2023.

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

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

**Budgetary Information**

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

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. State law requires the Academy to have its budget in place by July 1. An academy is not considered in violation of the law if reasonable procedures are in use by the Academy to detect violations.

The CEO is authorized to transfer budgeted amounts between functions within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Directors.

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

**Excess of Expenditures over Appropriations**

During the year, the Academy incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

Function	Final Budget	Amount of Expenditures	Budget Variances
General Fund			
Basic programs	\$ 1,397,241	\$ 1,433,388	\$ 36,147
Business	63,600	69,666	6,066

**Note 3 - Deposits**

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

	Governmental Activities
Cash	\$ <u>630,331</u>

Custodial credit risk - deposits - In the case of deposits, this is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. The Academy does not have a deposit policy for custodial credit risk. As of year end, \$592,063 of the Academy's bank balance of \$842,063 was exposed to custodial credit risk because it was uninsured and uncollateralized.

**Flint Cultural Center Academy**  
**Notes to the Financial Statements**  
**June 30, 2020**

**Note 6 - Interfund Receivables, Payables, and Transfers**

Individual interfund receivable and payable balances at year end were:

Payable Fund	Receivable Fund	Amount
Food Service Fund	General Fund	\$ 14,117
General Fund	Food Service Fund	2,681
		16,798

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

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

Interfund transfers consist of the following:

	Transfers Out
	General Fund
	Fund
<b>Transfers in</b>	
Food Service Fund	\$ 54,691

These transfers were made to cover the costs of Academy programs that were in excess of revenues generated from those activities.

**Note 7 - Unearned Revenue**

Governmental funds report unearned revenue in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the components of unearned revenue are as follows:

	Unearned
Grant and categorical aid payments received prior to meeting all eligibility requirements	\$ 15,020

**Note 8 - Leases**

**Operating Leases**

The Academy leases copiers under non-cancelable operating leases. Total costs for such leases were \$6,258 for the year. The future minimum lease payments for these leases are as follows:

Year ending June 30,		
2021	\$	8,344
2022		8,344
2023		8,344
2024		8,344
2025		695
Total	\$	34,071

**Note 9 - Long-Term Debt**

Other long-term obligations include compensated absences, claims and judgments, termination benefits, and certain risk liabilities.

**Flint Cultural Center Academy**  
**Notes to the Financial Statements**  
**June 30, 2020**

Long-term obligation activity is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Other liabilities					
Compensated absences	\$ -	\$ 24,644	\$ 21,401	\$ 3,243	\$ 3,243

For governmental activities, compensated absences are primarily liquidated by the General Fund.

**Compensated Absences**

Accrued compensated absences at year end, consist of \$3,234 in accrued sick time benefits. The amount anticipated to be paid out over the next year is included within the amounts listed as due within one year.

**Note 10 - Pension Plan**

**Plan Description**

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

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

The System is administered by the Office of Retirement Services (ORS) within the Michigan Department of Technology, Management & Budget.

The Department Director appoints the Office Director, with whom the general oversight of the System resides. The State Treasurer serves as the investment officer and custodian for the System.

The System's financial statements are available on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools)

**Benefits Provided**

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

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

**Contributions**

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is

**Flint Cultural Center Academy**  
**Notes to the Financial Statements**  
**June 30, 2020**

called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2018 valuation will be amortized over a 20-year period beginning Oct. 1, 2018 and ending Sept. 30, 2038.

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

Pension Contribution Rates		
Benefit Structure	Member	Employer
Basic	0.0 - 4.0%	18.25%
Member Investment Plan	3.0 - 7.0%	18.25%
Pension Plus	3.0 - 6.4%	16.46%
Pension Plus 2	6.2%	19.59%
Defined Contribution	0.0%	13.39%

Required contributions to the pension plan from the Academy were \$25,893 for the year ending September 30, 2019.

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

At June 30, 2020, the Academy reported a liability of \$322,778 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2018. The Academy's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2019, the Academy's proportion was 0.0010 percent, which was an increase 0.0010 percent from its proportion measured as of September 30, 2018.

For the plan year ending September 30, 2019, the Academy recognized pension expense of \$104,451 for the measurement period.

For the reporting period ending June 30, 2020, the Academy recognized total pension contribution expense of \$72,684.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Difference between expected and actual experience	\$ 1,447	\$ (1,346)	\$ 101
Changes of assumptions	63,200	-	63,200
Net difference between projected and actual earnings on pension plan investments	-	(10,344)	(10,344)
Changes in proportion and differences between the Academy contributions and proportionate share of contributions	191,265	(2)	191,263
Total to be recognized in future	255,912	(11,692)	244,220
Academy contributions subsequent to the measurement date	59,516	(18,284)	41,232
Total	<u>\$ 315,428</u>	<u>\$ (29,976)</u>	<u>\$ 285,452</u>

Contributions subsequent to the measurement date reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. The Academy will offset the contribution expense in the year ended June 30, 2021 with the 147c supplemental income received subsequent to the measurement date which is included in the deferred inflows of resources. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be

**Flint Cultural Center Academy**  
**Notes to the Financial Statements**  
**June 30, 2020**

recognized in pension expense as follows during the following plan years:

Deferred (Inflow) and Deferred Outflow of Resources by Year (To Be Recognized in Future Pension Expenses)	
2020	\$ 75,742
2021	71,380
2022	65,530
2023	31,568
	\$ 244,220

**Actuarial Assumptions**

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

Additional information as of the latest actuarial valuation follows:

*Summary of Actuarial Assumptions:*

- Valuation Date: September 30, 2018
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 2.75%
- Investment Rate of Return:
  - MIP and Basic Plans 6.80%
  - Pension Plus Plan 6.80%
  - Pension Plus 2 Plan: 6.00%
- Projected Salary Increases: 2.75 - 11.55%, including wage inflation at 2.75%
- Cost-of-Living Pension Adjustments: 3% Annual Non-Compounded for MIP Members

- Mortality:
  - Retirees: RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
  - Active Members: Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

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

Recognition period for liabilities is the average of the expected remaining service lives of all employees is 4.4977 years.

Recognition period for assets is 5 years.

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

**Long-Term Expected Return on Plan Assets**

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

**Flint Cultural Center Academy**  
**Notes to the Financial Statements**  
**June 30, 2020**

allocation as of September 30, 2019, are summarized in the following table:

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

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

**Rate of Return**

For the plan year ended September 30, 2019, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 5.14%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Discount Rate**

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

projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

1% Decrease *	Current Single Discount Rate Assumption *	1% Increase *
5.80% / 5.80% / 5.00%	6.80% / 6.80% / 6.00%	7.80% / 7.80% / 7.00%
<u>\$ 419,632</u>	<u>\$ 322,778</u>	<u>\$ 242,483</u>

*\*Discount rates listed in the following order: Basic and Member Investment Plan (MIP), Pension Plus, and Pension Plus 2.*

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

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

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

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

**Flint Cultural Center Academy**  
**Notes to the Financial Statements**  
**June 30, 2020**

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**Note 11 - Postemployment Benefits Other Than Pensions (OPEB)**

**Plan Description**

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

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

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

The System's financial statements are available on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

**Benefits Provided**

Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which, through 2012, was funded on a cash disbursement basis. Beginning with fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, prescription drug, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree healthcare recipient. For members who

first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP Graded plan members) the subsidy is the maximum allowed by statute. To limit future liabilities of Other Postemployment Benefits, members who first worked on or after July 1, 2008 (MIP-Plus plan members) have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning January 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date. Dependents are eligible for healthcare coverage if they meet the dependency requirements set forth in Public Act 300 of 1980, as amended.

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

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

**Contributions**

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of active and

**Flint Cultural Center Academy**  
**Notes to the Financial Statements**  
**June 30, 2020**

retired members. Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Employer OPEB contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2018 valuation will be amortized over a 20-year period beginning Oct. 1, 2018 and ending Sept. 30, 2038.

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

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

Required contributions to the OPEB plan from the Academy were \$11,462 for the year ended September 30, 2019.

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

At June 30, 2020, the Academy reported a liability of \$119,825 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2018. The Academy's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2019, the Academy's

proportion was 0.0017 percent, which was an increase of 0.0017 percent from its proportion measured as of September 30, 2018.

For the plan year ending September 30, 2019, the Academy recognized OPEB expense of \$29,038 for the measurement period. For the reporting period ending June 30, 2020, the Academy recognized total OPEB contribution expense of \$22,854.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Difference between expected and actual experience	\$ -	\$ (43,967)	\$ (43,967)
Changes of assumptions	25,964	-	25,964
Net difference between projected and actual earnings on OPEB plan investments	-	(2,084)	(2,084)
Changes in proportion and differences between the Academy contributions and proportionate share of contributions	<u>122,448</u>	<u>(112)</u>	<u>122,336</u>
Total to be recognized in future	148,412	(46,163)	102,249
Academy contributions subsequent to the measurement date	<u>17,185</u>	<u>-</u>	<u>17,185</u>
Total	<u>\$ 165,597</u>	<u>\$ (46,163)</u>	<u>\$ 119,434</u>

Contributions subsequent to the measurement date reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended

**Flint Cultural Center Academy**  
**Notes to the Financial Statements**  
**June 30, 2020**

June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows during the following plan years:

Deferred (Inflow) and Deferred Outflow of Resources by Year (To Be Recognized in Future OPEB Expenses)	
2020	\$ 20,395
2021	20,395
2022	21,436
2023	23,051
2024	16,972
	\$ 102,249

**Actuarial Assumptions**

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

Additional information as of the latest actuarial valuation follows:

*Summary of Actuarial Assumptions:*

- Valuation Date: September 30, 2018
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 2.75%
- Investment Rate of Return: 6.95%
- Projected Salary Increases: 2.75 – 11.55%, including wage inflation of 2.75%
- Healthcare Cost Trend Rate: 7.5% Year 1 graded to 3.5% Year 12
- Mortality:

- Retirees: RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
- Active Members: Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

*Other Assumptions:*

- Opt Out Assumptions: 21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan.
- Survivor Coverage: 80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death.
- Coverage Election at Retirement: 75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

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

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

Recognition period for assets is 5 years

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

**Long-Term Expected Return on Plan Assets**

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate

**Flint Cultural Center Academy**  
**Notes to the Financial Statements**  
**June 30, 2020**

ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2019, are summarized in the following table:

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

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

**Rate of Return**

For the plan year ended September 30, 2019, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 5.37%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Discount Rate**

A discount rate of 6.95% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 6.95%. The projection of cash flows used to determine this discount rate assumed that plan member

contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

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

1% Decrease 5.95%	Current Discount Rate 6.95%	1% Increase 7.95%
<u>\$ 146,983</u>	<u>\$ 119,825</u>	<u>\$ 97,019</u>

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

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

1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
<u>\$ 96,052</u>	<u>\$ 119,825</u>	<u>\$ 146,980</u>

**OPEB Plan Fiduciary Net Position**

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2019 MPSERS CAFR, available on

**Flint Cultural Center Academy**  
**Notes to the Financial Statements**  
**June 30, 2020**

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the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

no adjustments to the financial statements were made as a result of these events.

**Payables to the OPEB Plan**

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

**Note 12 - Change in Accounting Principle**

As indicated in Note 1, Governmental Accounting Standards Board Statement 84 has been adopted. The standard requires this change be applied retroactively. There is no impact of this change on the financial statements.

**Note 13 - Subsequent Event**

As result of the global coronavirus pandemic of 2020, the financial picture for Michigan School Districts has seen an unanticipated change. The duration and full effects of the outbreak are currently unknown, as the local and global picture continues to change frequently. To reduce the chance of spreading COVID-19; in March 2020, public schools were closed for the remainder of the 2019-2020 school year. As a result of the pandemic, the State of Michigan encountered a revenue shortfall resulting in a revenue reduction for Districts of \$175 per pupil which reduced the state aid payment in August of 2020. Subsequent to year end, multiple new revenue sources were approved; including Public Act 123 of 2020 which provides Districts an approximate \$12.32 per pupil and Public Act 146 of 2020 which provides Districts \$350 per pupil. These new revenue streams approved after June 30, 2020 will be recognized in the fiscal year ended June 30, 2021 in accordance with reporting criteria established by the Governmental Accounting Standards Board. Additionally, the "Return to Learn" legislation passed subsequent to year end which modifies the per pupil foundation allowance calculation and allows flexibilities in the days and attendance requirements for Districts. Local districts are able to decide whether to provide instruction virtually or face to face for the 2020-2021 school year. Currently, it is not possible to estimate the full extent of any potential impacts to the Academy or to determine if any changes in fair values are other than temporary in nature. Accordingly,

## REQUIRED SUPPLEMENTARY INFORMATION

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**Flint Cultural Center Academy**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule - General Fund**  
**For the Year Ended June 30, 2020**

	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
<b>Revenues</b>				
Local sources	\$ 763,836	\$ 781,836	\$ 819,710	\$ 37,874
State sources	3,172,997	2,961,753	3,122,689	160,936
Federal sources	221,372	234,621	140,215	(94,406)
Interdistrict sources	-	-	21,191	21,191
	<u>4,158,205</u>	<u>3,978,210</u>	<u>4,103,805</u>	<u>125,595</u>
Total revenues				
<b>Expenditures</b>				
Instruction				
Basic programs	1,894,081	1,397,241	1,433,388	36,147
Added needs	322,841	550,605	395,472	(155,133)
Supporting services				
Pupil	211,358	292,840	235,667	(57,173)
Instructional staff	98,008	201,318	103,112	(98,206)
General administration	517,658	507,385	430,513	(76,872)
School administration	38,717	86,868	67,354	(19,514)
Business	125,600	63,600	69,666	6,066
Operations and maintenance	242,000	271,388	231,980	(39,408)
Pupil transportation services	1,500	1,500	200	(1,300)
Central	139,808	122,758	114,931	(7,827)
Other	-	8,000	2,408	(5,592)
Community services	-	578	-	(578)
	<u>3,591,571</u>	<u>3,504,081</u>	<u>3,084,691</u>	<u>(419,390)</u>
Total expenditures				
Excess (deficiency) of revenues over expenditures	<u>566,634</u>	<u>474,129</u>	<u>1,019,114</u>	<u>544,985</u>

**Flint Cultural Center Academy**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule - General Fund**  
**For the Year Ended June 30, 2020**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Other Financing Sources (Uses)</b>				
Transfers out	-	(100,000)	(54,691)	45,309
Net change in fund balance	566,634	374,129	964,423	590,294
Fund balance - beginning	-	-	-	-
Fund balance - ending	<u>\$ 566,634</u>	<u>\$ 374,129</u>	<u>\$ 964,423</u>	<u>\$ 590,294</u>

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

	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
<b>Revenues</b>				
Local sources	\$ -	\$ 5,200	\$ 8,093	\$ 2,893
State sources	4,897	4,897	-	(4,897)
Federal sources	<u>326,492</u>	<u>(225,945)</u>	<u>207,007</u>	<u>432,952</u>
Total revenues	<u>331,389</u>	<u>(215,848)</u>	<u>215,100</u>	<u>430,948</u>
<b>Expenditures</b>				
Current				
Education				
Food services	<u>328,721</u>	<u>336,042</u>	<u>267,110</u>	<u>(68,932)</u>
Excess (deficiency) of revenues over expenditures	<u>2,668</u>	<u>(551,890)</u>	<u>(52,010)</u>	<u>499,880</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	<u>-</u>	<u>(100,000)</u>	<u>54,691</u>	<u>154,691</u>
Net change in fund balance	2,668	(651,890)	2,681	654,571
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - ending	<u>\$ 2,668</u>	<u>\$ (651,890)</u>	<u>\$ 2,681</u>	<u>\$ 654,571</u>

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

	June 30,									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
A. Academy's proportion of net pension liability (%)	0.001%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%			
B. Academy's proportionate share of net pension liability	\$ 322,778	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -			
C. Academy's covered payroll	\$ 230,718	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -			
D. Academy's proportionate share of net pension liability as a percentage of its covered payroll	139.90%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%			
E. Plan fiduciary net position as a percentage of total pension liability	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%				

**Note Disclosures**

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

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

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

	For the Years Ended June 30									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
A. Statutorily required contributions	\$ 72,684	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
B. Contributions in relation to statutorily required contributions	72,684	-	-	-	-	-	-	-	-	-
C. Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
D. Academy's covered payroll	230,718	-	-	-	-	-	-	-	-	-
E. Contributions as a percentage of covered payroll	31.50%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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

	June 30,									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
A. Academy's proportion of the net OPEB liability (%)	0.0017%	0.0000%	0.0000%							
B. Academy's proportionate share of the net OPEB liability	\$ 119,825	\$ -	\$ -							
C. Academy's covered payroll	\$ 230,718	\$ -	\$ -							
D. Academy's proportionate share of the net OPEB liability as a percentage of its covered payroll	51.94%	0.00%	0.00%							
E. Plan fiduciary net position as a percentage of total OPEB liability	48.46%	42.95%	36.39%							

**Note Disclosures**

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

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

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

	For the Years Ended June 30									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
A. Statutorily required contributions	\$ 22,854	\$ -								
B. Contributions in relation to statutorily required contributions	<u>22,854</u>	<u>-</u>								
C. Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>								
D. Academy's covered payroll	230,718	-								
E. Contributions as a percentage of covered payroll	9.91%	0.00%								

## OTHER SUPPLEMENTARY INFORMATION

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

### **Independent Auditors' Report**

Management and the Board of Directors  
Flint Cultural Center Academy  
Flint, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Flint Cultural Center Academy as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Flint Cultural Center Academy's basic financial statements, and have issued our report thereon dated October 6, 2020.

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

*Yeo & Yeo, P.C.*

Flint, MI  
October 6, 2020