Flint Cultural Center Academy

Financial Statements

June 30, 2022

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Flint Cultural Center Academy
Members of the Board of Directors and Administration
June 30, 2022

Members of the Board of Directors

Todd Slisher	President
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

Report on the Audit of the Financial Statements

Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise the Flint Cultural Center Academy's basic financial statements as listed in the table of contents.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Flint Cultural Center Academy, as of June 30, 2022, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Flint Cultural Center Academy, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2022 the Academy adopted new accounting guidance, GASBS No. 87, *Leases*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Flint Cultural Center Academy’s ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors’ Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Flint Cultural Center Academy's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Flint Cultural Center Academy's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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**,** schedule of the Academy’s OPEB contributions identified in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 14, 2022 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 14, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management Discussion and Analysis provides an overview of the Flint Cultural Center Academy's financial activities for the fiscal year ended June 30, 2022.

Financial Highlights

- The assets and deferred outflows exceeded its liabilities and deferred inflows of the Academy on June 30, 2022, by $2,471,524 (net position).

  The Academy's total net position increased by $537,209.

- As of the close of the current fiscal year, the Academy's governmental funds reported combined ending fund balances of $2,847,156. Fiscal year ended June 30, 2022, was the Academy's third year of operations.

- At the end of the current fiscal year, total fund balance for the general fund was $2,651,739.

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 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, 2022.

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.

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 $2,471,524 at the close of the most recent fiscal year.

Summary of Net Position
Governmental Activities

	June 30, 2022	June 30, 2021
Assets		
Current Assets	$ 3,779,005	$ 2,650,067
Deferred Outflows of Resources	523,322	778,034
Liabilities		
Current	914,837	459,700
Long-Term	563,049	893,545
Total Liabilities	1,477,886	1,353,245
Deferred Inflows of Resources	352,917	140,541
Net Position		
Restricted for Food Service	195,417	37,426
Unrestricted	2,276,107	1,896,889
Total Net Position (Deficit)	$ 2,471,524	$ 1,934,315

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

Changes in Net Position
Governmental Activities

	June 30, 2022	June 30, 2021
General Revenue		
State of Michigan aid, unrestricted	$ 4,431,084	$ 3,623,882
Other sources	57,168	20,751
Program Revenue		
Operating Grants and Contributions	2,753,433	3,038,829
Total Revenues	7,241,685	6,683,462
Expenses		
Instruction	3,436,687	3,041,143
Supporting Services	2,720,973	2,192,490
Food Services	545,567	441,658
Community Services	823	
Interest and Fiscal Charges on Long-Term Debt	426	
Total Expenses	6,704,476	5,675,291
Change in Net Position	537,209	1,008,171
Net Position July 1	1,934,315	926,144
Net Position June 30	$ 2,471,524	$ 1,934,315

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 $2,847,156, an increase of $656,789 in comparison with the prior year. Unassigned fund balance totaled $2,631,391 on June 30, 2022. 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 $2,631,391.

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 2021-22 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's response to the global Covid-19 pandemic included more stringent cleaning protocols in compliance with federal and state regulations. Estimated revenues and costs related to the ongoing pandemic response are included in the initial 2022-23 budget which will be amended periodically throughout the year as more information becomes available.

- The academy expanded its services to include one additional fourth grade and two new seventh grade classrooms and retained approximately 95% of the students enrolled in the 2021-22 school year, its third year of operations. The academy plans to expand again beginning in the fall of 2022 with one additional fifth grade and two eighth grade classrooms.

2022-23 Initial General Fund Budget

Revenues	$ 7,081,287
Expenditures	6,389,425
Net Budgeted Excess Revenues	$ 691,862

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

Flint Cultural Center Academy
Statement of Net Position
June 30, 2022

	Governmental Activities
Assets	
Cash	$ 2,544,499
Accounts receivable	13,545
Due from other governmental units	1,176,936
Inventory	6,665
Prepaid items	20,348
Right to use assets - net of amortization	17,012
Total assets	3,779,005
Deferred Outflows of Resources	
Deferred amount relating to the net pension liability	364,051
Deferred amount relating to the net OPEB liability	159,271
Total deferred outflows of resources	523,322
Liabilities	
Accounts payable	775,263
Payroll deductions and withholdings	11,667
Accrued salaries payable	3,992
Unearned revenue	123,915
Long-term liabilities	
Net pension liability	511,514
Net OPEB liability	27,303
Due within one year	15,298
Due in more than one year	8,934
Total liabilities	1,477,886
Deferred Inflows of Resources	
Deferred amount relating to the net pension liability	198,053
Deferred amount relating to the net OPEB liability	154,864
Total deferred inflows of resources	352,917
Net Position	
Restricted for:	
Food service	195,417
Unrestricted	2,276,107
Total net position	$ 2,471,524

See Accompanying Notes to the Financial Statements

Flint Cultural Center Academy
Statement of Activities
For the Year Ended June 30, 2022

	Expenses	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Functions/Programs			
Governmental activities			
Instruction	$ 3,436,687	$ 708,651	$ (2,728,036)
Supporting services	2,720,973	1,484,760	(1,236,213)
Food services	545,567	560,022	14,455
Community services	823	-	(823)
Interest and fiscal charges on long-term debt	426	-	(426)
Total governmental activities	$ 6,704,476	$ 2,753,433	(3,951,043)
General revenues			
State aid - unrestricted			4,431,084
Other			57,168
Total general revenues			4,488,252
Change in net position			537,209
Net position - beginning			1,934,315
Net position - ending			$ 2,471,524

See Accompanying Notes to the Financial Statements

Flint Cultural Center Academy
Governmental Funds
Balance Sheet
June 30, 2022

	General Fund	Food Service Fund	Total Governmental Funds
Assets			
Cash	$ 2,363,931	$ 180,568	$ 2,544,499
Accounts receivable	13,545	-	13,545
Due from other governmental units	1,143,691	33,245	1,176,936
Inventory	-	6,665	6,665
Prepaid items	20,348	-	20,348
Total assets	$ 3,541,515	$ 220,478	$ 3,761,993
Liabilities			
Accounts payable	$ 750,202	$ 25,061	$ 775,263
Payroll deductions and withholdings	11,667	-	11,667
Accrued salaries payable	3,992	-	3,992
Unearned revenue	123,915	-	123,915
Total liabilities	889,776	25,061	914,837

See Accompanying Notes to the Financial Statements

Flint Cultural Center Academy
Governmental Funds
Balance Sheet
June 30, 2022

	General Fund	Food Service Fund	Total Governmental Funds
Fund Balances			
Non-spendable			
Inventory	$ -	$ 6,665	$ 6,665
Prepaid items	20,348	-	20,348
Restricted for			
Food service	-	188,752	188,752
Unassigned	2,631,391	-	2,631,391
Total fund balances	2,651,739	195,417	2,847,156
Total liabilities and fund balances	$ 3,541,515	$ 220,478	$ 3,761,993

Flint Cultural Center Academy
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2022

Total fund balances for governmental funds	$ 2,847,156
Total net position for governmental activities in the statement of net position is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Right to use assets - net of amortization	17,012
Deferred outflows (inflows) of resources	
Deferred outflows of resources resulting from the net pension liability	364,051
Deferred outflows of resources resulting from the net OPEB liability	159,271
Deferred inflows of resources resulting from the net pension liability	(198,053)
Deferred inflows of resources resulting from the net OPEB liability	(154,864)
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	(511,514)
Net OPEB liability	(27,303)
Compensated absences	(7,220)
Other loans payable and liabilities	(17,012)
Net position of governmental activities	$ 2,471,524

Flint Cultural Center Academy
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2022

	General Fund	Food Service Fund	Total Governmental Funds
Revenues			
Local sources	$ 80,213	$ 47,220	$ 127,433
State sources	4,754,358	6,535	4,760,893
Federal sources	1,140,959	506,267	1,647,226
Interdistrict sources	11,233	-	11,233
Total revenues	5,986,763	560,022	6,546,785
Expenditures			
Current			
Education			
Instruction	3,066,933	-	3,066,933
Supporting services	2,353,468	-	2,353,468
Food services	-	460,428	460,428
Community services	823	-	823
Debt service			
Principal	7,918	-	7,918
Interest and other expenditures	426	-	426
Total expenditures	5,429,568	460,428	5,889,996
Net change in fund balances	557,195	99,594	656,789
Fund balances - beginning	2,094,544	95,823	2,190,367
Fund balances - ending	$ 2,651,739	$ 195,417	$ 2,847,156

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, 2022

Net change in fund balances - Total governmental funds	$	656,789
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		
Contributions		694,900
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as amortization expense.		
Amortization expense		(7,918)
Expenses are recorded when incurred in the statement of activities.		
Rent expense		(694,900)
Compensated absences		(636)
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		235,145
Net change in deferrals of resources related to the net pension liability		(353,264)
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		112,999
Net change in deferrals of resources related to the net OPEB liability		(113,824)
Leases are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.		
Repayments of long-term debt		7,918
Change in net position of governmental activities	$	537,209

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 $136,614.

The Academy is governed by an elected six-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, 2022, the Academy paid FCCC $415,545 for these services.

FCCC purchased operating supplies for the Academy on a Reimbursement basis. During the year ended June 30, 2022, the Academy paid FCCC $50,821 as reimbursements for these items.

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, 2022, the Academy paid the Flint Cultural Center Campus $269,094 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.

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 Fund Balance
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.

Right to Use Assets - Right to use assets are any non-monetary asset that are leased by the entity and in use by the lessee. The value represents the value of the underlying assets and is reported net of amortization. The amortization period corresponds to the life the asset or the term of the lease. Assets are evaluated annually for impairment.

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

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).

Long-term Obligations - In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Debt consists of leases and compensated absences.

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 (MPSERS) and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. 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 (MPSERS) and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. 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 MPSERS 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.
>
> 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. 87, *Leases* increases the usefulness of the District's financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. A lessee will be required to recognize a lease liability and an intangible right-to-use a lease asset, and a lessor will be required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about the District's leasing activities.

Statement No. 99, *2022 Omnibus* enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

Upcoming Accounting and Reporting Changes

Statement No. 96, *Subscription-Based Information Technology Arrangements,* is based on the standards established in Statement No. 87 *Leases.* This statement (1) defines a SBITA as a contract that conveys control of the right to use a SBITA vendor's IT software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction (2) requires governments with SBITAs to recognize a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability, and (3) provides guidance related to outlays other than subscription payments, including implementation costs, and requirements for note disclosures related to a SBITA. This statement is effective for the year ending June 30, 2023.

Statement No. 100, *Accounting Changes and Error Corrections*, improves the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. More understandable, reliable, relevant, consistent and comparable information will be provided to financial statement users for making decisions or assessing accountability. Additionally, the display and note disclosure requirements will result in more consistent, decision useful, understandable and comprehensive information for users about accounting changes and error corrections. This statement is effective for the year ending June 30, 2024.

Statement No. 101, *Compensated Absences*, updates the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This statement is effective for the year ending June 30, 2025.

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			
Instructional staff	$ 297,771	$ 326,527	$ 28,756
Business	158,100	158,865	765
Operations and maintenance	573,519	588,539	15,020
Other	18,114	27,700	9,586
Debt - principal	-	7,918	7,918
Debt - interest and fiscal charges	-	426	426
Food Service Fund	381,774	460,428	78,654

Note 3 - Deposits

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

	Governmental Activities
Cash	$ 2,544,499

Interest rate risk - The Academy does not have a formal investment policy to manage its exposure to fair value losses arising from changes in interest rates.

Credit risk - State statutes and the Academy's investment policy authorize the Academy to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan; the Academy is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The Academy has no investment policy that would further limit its investment choices.

Concentration of credit risk - The Academy has no policy that would limit the amount that may be invested with any one issuer.

Custodial credit risk - deposits - In the case of deposits, this is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. The Academy does not have a deposit policy for custodial credit risk. As of year end, $2,567,285 of the Academy's bank balance of $2,817,285 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Note 4 - 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:

Grant and categorical aid payments received prior to meeting all eligibility requirements	$ 123,915

Note 5 - Right to Use Assets

A summary of the changes in governmental right to use assets is as follows:

	Restated Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Right to use assets being amortized				
Right to use asset - equipment	$ 24,930	$ -	$ -	$ 24,930
Less accumulated amortization for				
Right to use asset - equipment	-	7,918	-	7,918
Total right to use leased assets				
Right to use assets - net of amortization	$ 24,930	$ (7,918)	$ -	$ 17,012

Amortization of right to use assets expenses were charged to activities of the Academy as follows:

Governmental activities	
Instruction	$ 7,918

Note 6 - Leases

Lease Liability

During the 2020 fiscal year, the Academy entered into a 5 year lease agreement as lessee for the use of copiers. An initial lease liability was recorded in the amount of $24,930 during the current fiscal year. As of June 30, 2022, the value of the lease liability was $17,012. The Academy is required to make annual principal and interest payments of $8,344. The lease has an interest rate of 2%. The value of the right-to-use asset as of the end of the current fiscal year was $17,012 and had accumulated amortization of $7,918.

Year ending June 30,	Principal	Interest	Total
2023	$ 8,078	$ 266	$ 8,344
2024	8,241	103	8,344
2025	693	1	694
	$ 17,012	$ 370	$ 17,382

Note 7 - Long-Term Debt

Other long-term obligations include leases and compensated absences.

Long-term obligation activity is summarized as follows:

	Restated Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Other liabilities					
Leases	$ 24,930	$ -	$ 7,918	$ 17,012	$ 8,078
Compensated absences	6,584	18,937	18,301	7,220	7,220
Total	$ 31,514	$ 18,937	$ 26,219	$ 24,232	$ 15,298

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

Compensated Absences

Accrued compensated absences at year end, consist of $7,220 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 8 - Pension Plan

Plan Description

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

The System's 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

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 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, 2020 valuation will be amortized over an 18-year period beginning Oct. 1, 2020 and ending Sept. 30, 2038.

The schedule below summarizes pension contribution rates in effect for plan year ended September 30, 2021.

Pension Contribution Rates

Benefit Structure	Member	Employer
Basic	0.0 - 4.0%	19.78%
Member Investment Plan	3.0 - 7.0%	19.78%
Pension Plus	3.0 - 6.4%	16.82%
Pension Plus 2	6.2%	19.59%
Defined Contribution	0.0%	13.39%

Required contributions to the pension plan from the Academy were $64,873 for the year ending September 30, 2021.

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

At June 30, 2022, the Academy reported a liability of $511,514 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2020. 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, 2021, the Academy's proportion was 0.0022 percent, which was unchanged from its proportion measured as of September 30, 2020.

For the plan year ending September 30, 2021, the Academy recognized pension expense of $184,384 for the measurement period. For the reporting period ending June 30, 2022, the Academy recognized total pension contribution expense of $58,600.

At June 30, 2022, 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	$ 7,924	$ (3,012)	$ 4,912
Changes of assumptions	32,244	-	32,244
Net difference between projected and actual earnings on pension plan investments	-	(164,450)	(164,450)
Changes in proportion and differences between the Academy contributions and proportionate share of contributions	265,936	(4,516)	261,420
Total to be recognized in future	306,104	(171,978)	134,126
Academy contributions subsequent to the measurement date	57,947	(26,075)	31,872
Total	$ 364,051	$ (198,053)	$ 165,998

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, 2023. The Academy will offset the contribution expense in the year ended June 30, 2023 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 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)	
2022	$ 112,960
2023	71,097
2024	(4,956)
2025	(44,975)
	$ 134,126

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, 2020
- Actuarial Cost Method: Entry Age, Normal

- Wage inflation rate: 2.75%
- Investment Rate of Return:
  - MIP and Basic Plans: 6.80% net of investment expenses
  - Pension Plus Plan: 6.80% net of investment expenses
  - Pension Plus 2 Plan: 6.00% net of investment expenses
- 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: RP-2014 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, 2018 valuation. The total pension liability as of September 30, 2021, is based on the results of an actuarial valuation date of September 30, 2020, 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 4.4367 years.

Recognition period for assets is 5 years.

Full actuarial assumptions are available in the 2021 MPSERS Annual Comprehensive Financial Report found on the ORS website at www.michigan.gov/orsschools.

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2021, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of
Domestic Equity Pools	25.0 %	5.4 %
Private Equity Pools	16.0	9.1
International Equity	15.0	7.5
Fixed Income Pools	10.5	(0.7)
Real Estate and Infrastructure Pools	10.0	5.4
Absolute Return Pools	9.0	2.6
Real Return/Opportunistic Pools	12.5	6.1
Short Term Investment Pools	2.0	(1.3)
	100.0%	

**Long-term rates of return are net of administrative expenses and 2.0% inflation.*

Rate of Return

For the plan year ended September 30, 2021, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 27.3%. 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%
$ 731,327	$ 511,514	$ 329,275

**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 (MPSERS) Fiduciary Net Position
Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS Annual Comprehensive Financial Report, available on the ORS website at www.michigan.gov/orsschools.

Payables to the Michigan Public School Employees' Retirement System (MPSERS)
There were no significant payables to the pension plan that are not ordinary accruals to the Academy.

Note 9 - Postemployment Benefits Other Than Pensions (OPEB)

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

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

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

The System's financial statements are available on the ORS website at www.michigan.gov/orsschools.

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 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, 2020 valuation will be amortized over an 18-year period beginning Oct. 1, 2020 and ending Sept. 30, 2038.

The schedule below summarizes OPEB contribution rates in effect for plan year 2021.

OPEB Contribution Rates

Benefit Structure	Member	Employer
Premium Subsidy	3.0%	8.43%
Personal Healthcare Fund (PHF)	0.0%	7.57%

Required contributions to the OPEB plan from the Academy were $13,279 for the year ended September 30, 2021.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB
At June 30, 2022, the Academy reported a liability of $27,303 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2020. 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, 2021, the Academy's proportion was 0.0018 percent, which was an decrease of 0.0008 percent from its proportion measured as of September 30, 2020.

For the plan year ending September 30, 2021, the Academy recognized OPEB expense of $13,754 for the measurement period. For the reporting period ending June 30, 2022, the Academy recognized total OPEB contribution expense of $13,079.

At June 30, 2022, 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	$ -	$ (77,935)	$ (77,935)
Changes of assumptions	22,824	(3,415)	19,409
Net difference between projected and actual earnings on OPEB plan investments	-	(20,579)	(20,579)
Changes in proportion and differences between the Academy contributions and proportionate share of contributions	123,646	(52,935)	70,711
Total to be recognized in future	146,470	(154,864)	(8,394)
Academy contributions subsequent to the measurement date	12,801	-	12,801
Total	$ 159,271	$ (154,864)	$ 4,407

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 June 30, 2023. 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)	
2022	$ 8,440
2023	10,170
2024	4,196
2025	(13,243)
2026	(15,875)
Thereafter	(2,082)
	$ (8,394)

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, 2020
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 2.75%
- Investment Rate of Return: 6.95% net of investment expenses
- Projected Salary Increases: 2.75 – 11.55%, including wage inflation of 2.75%
- Healthcare Cost Trend Rate: Pre-65: 7.75% Year 1 graded to 3.5% Year 15; 3.0% Year 120 Post-65: 5.25% Year 1 graded to 3.5% Year 15; 3.0% Year 120
- 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: RP-2014 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 Assumption: 21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan.
- Survivor Coverage: 80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death.
- Coverage Election at Retirement: 75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

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, 2018 valuation. The total OPEB liability as of September 30, 2021, is based on the results of an actuarial valuation date of September 30, 2020, 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 6.1312 years.

Recognition period for assets is 5 years.

Full actuarial assumptions are available in the 2020 MPSERS Annual Comprehensive Financial Report found on the ORS website at www.michigan.gov/orsschools.

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2021, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of
Domestic Equity Pools	25.0 %	5.4 %
Private Equity Pools	16.0	9.1
International Equity	15.0	7.5
Fixed Income Pools	10.5	(0.7)
Real Estate and Infrastructure Pools	10.0	5.4
Absolute Return Pools	9.0	2.6
Real Return/Opportunistic Pools	12.5	6.1
Short Term Investment Pools	2.0	(1.3)
	100.0%	

**Long-term rates of return are net of administrative expenses and 2.0% inflation.*

Rate of Return

For the plan year ended September 30, 2021, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 27.14%. 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 6.95% 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%
$ 50,734	$ 27,303	$ 7,419

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
$ 6,645	$ 27,303	$ 50,546

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2021 MPSERS Annual Comprehensive Financial Report, available on the ORS website at www.michigan.gov/orsschools.

Payables to the OPEB Plan

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

Note 10 - Change in Accounting Principle

As indicated in Note 1, the Academy implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. GASB Statement No. 87 enhances the relevance and consistency of information of the Academy's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize lease liability and intangible right to use lease asset. The 2021 financial statements include a prior period adjustment for the lease liability. This adjustment had no effect on the beginning fund balance of any fund or beginning net position of the governmental activities. The gross amount of capital assets was increase by $24,930 on July 1, 2021, to include the value of the right to use assets. The long-term obligations on July 1, 2021, were increased to include the lease liability of $24,930.

REQUIRED SUPPLEMENTARY INFORMATION

Flint Cultural Center Academy
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2022

	Budgeted Amounts			Over (Under)
	Original	Final	Actual	Budget
Revenues				
Local sources	$ 18,400	$ 56,675	$ 80,213	$ 23,538
State sources	4,514,172	4,876,302	4,754,358	(121,944)
Federal sources	556,008	1,431,545	1,140,959	(290,586)
Interdistrict sources	12,021	11,233	11,233	-
Total revenues	5,100,601	6,375,755	5,986,763	(388,992)
Expenditures				
Instruction				
Basic programs	2,151,223	2,341,848	2,335,122	(6,726)
Added needs	736,666	1,097,670	731,811	(365,859)
Supporting services				
Pupil	316,583	512,497	475,312	(37,185)
Instructional staff	241,878	297,771	326,527	28,756
General administration	538,600	522,655	509,968	(12,687)
School administration	89,358	84,417	69,303	(15,114)
Business	132,850	158,100	158,865	765
Operations and maintenance	473,236	573,519	588,539	15,020
Pupil transportation services	2,095	6,650	4,308	(2,342)
Central	245,486	210,079	192,946	(17,133)
Other	8,400	18,114	27,700	9,586
Community services	10,578	37,077	823	(36,254)
Debt service				
Principal	-	-	7,918	7,918
Interest and fiscal charges	-	-	426	426
Total expenditures	4,946,953	5,860,397	5,429,568	(430,829)

Flint Cultural Center Academy
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2022

	Budgeted Amounts			
	Original	Final	Actual	Over (Under) Budget
Net change in fund balance	$ 153,648	$ 515,358	$ 557,195	$ 41,837
Fund balance - beginning	2,094,544	2,094,544	2,094,544	-
Fund balance - ending	$ 2,248,192	$ 2,609,902	$ 2,651,739	$ 41,837

Flint Cultural Center Academy
Required Supplementary Information
Budgetary Comparison Schedule - Food Service Fund
For the Year Ended June 30, 2022

	Budgeted Amounts			Over
	Original	Final	Actual	(Under) Budget
Revenues				
Local sources	$ 23,560	$ 28,360	$ 47,220	$ 18,860
State sources	-	6,936	6,535	(401)
Federal sources	387,787	428,180	506,267	78,087
Total revenues	411,347	463,476	560,022	96,546
Expenditures				
Current				
Education				
Operations & Maintenance	2,521	-	-	-
Food services	395,903	381,774	460,428	78,654
Total expenditures	398,424	381,774	460,428	78,654
Net change in fund balance	12,923	81,702	99,594	17,892
Fund balance - beginning	95,823	95,823	95,823	-
Fund balance - ending	$ 108,746	$ 177,525	$ 195,417	$ 17,892

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,									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
A. Academy's proportion of net pension liability (%)	0.0022%	0.0022%	0.0010%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%		
B. Academy's proportionate share of net pension liability	$ 511,514	$ 746,659	$ 322,778	$ -	$ -	$ -	$ -	$ -		
C. Academy's covered payroll	$ 158,536	$ 232,683	$ 145,090	$ -	$ -	$ -	$ -	$ -		
D. Academy's proportionate share of net pension liability as a percentage of its covered payroll	322.65%	320.89%	222.47%	0.00%	0.00%	0.00%	0.00%	0.00%		
E. Plan fiduciary net position as a percentage of total pension liability	72.60%	59.72%	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 2021.

Changes of benefit assumptions: There were no changes of benefit assumptions in plan fiscal year 2021.

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,									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
A. Statutorily required contributions	$ 58,600	$ 67,028	$ 72,684	$ -	$ -	$ -	$ -	$ -		
B. Contributions in relation to statutorily required contributions	58,600	67,028	72,684	-	-	-	-	-		
C. Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -		
D. Academy's covered payroll	$ 211,000	$ 158,810	$ 230,718	$ -	$ -	$ -	$ -	$ -		
E. Contributions as a percentage of covered payroll	27.77%	42.21%	31.50%	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,									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
A. Academy's proportion of the net OPEB liability (%)	0.0018%	0.0026%	0.0017%	0.0000%	0.0000%					
B. Academy's proportionate share of the net OPEB liability	$ 27,303	$ 140,302	$ 119,825	$ -	$ -					
C. Academy's covered payroll	$ 158,536	$ 232,683	$ 145,090	$ -	$ -					
D. Academy's proportionate share of the net OPEB liability as a percentage of its covered payroll	17.22%	60.30%	82.59%	0.00%	0.00%					
E. Plan fiduciary net position as a percentage of total OPEB liability	87.33%	59.44%	48.46%	42.95%	36.39%					

Note Disclosures

Changes of benefit terms: There were no changes of benefit terms in plan fiscal year 2021.
Changes of benefit assumptions: There were no changes of benefit assumptions in plan fiscal year 2021.

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,									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
A. Statutorily required contributions	$ 13,079	$ 14,186	$ 22,854	$ -	$ -					
B. Contributions in relation to statutorily required contributions	13,079	14,186	22,854	-	-					
C. Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -					
D. Academy's covered payroll	$ 211,000	$ 158,810	$ 230,718	$ -	$ -					
E. Contributions as a percentage of covered payroll	6.20%	8.93%	9.91%	0.00%	0.00%					