MARTIN LUTHER KING, JR.
EDUCATION CENTER ACADEMY

Financial Report
With Supplemental Information

June 30, 2021

MARTIN LUTHER KING, JR EDUCATION CENTER ACADEMY

CONTENTS

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INDEPENDENT AUDITOR'S REPORT

Board of Directors of
Martin Luther King, Jr. Education Center Academy

Report on Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Martin Luther King, Jr. Education Center Academy as of June 30,2021, and the respective changes in financial position for the year then ended in accordance with accounting principles accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2021, on our consideration of Martin Luther King, Jr. Education 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 to describe the scope of our testing of internal control over financial reporting or on compliance. That report is an integral part of the audit performed in accordance with *Government Auditing Standards* in considering Martin Luther King, Jr. Education Center Academy's internal control over financial reporting and compliance.

Wilkerson & Associate PC

December 20, 2021

Wilkerson & Associate P.C.
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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors of
Martin Luther King, Jr. Education Center Academy

We have audited the financial statements of Martin Luther King, Jr. Education Center Academy as of and for the year ended June 30, 2021, and have issued our report thereon dated December 20, 2021. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting
Martin Luther King, Jr. Education Center Academy is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Martin Luther King, Jr. Education Center Academy's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Martin Luther King, Jr. Education Center Academy's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Martin Luther King, Jr. Education Center Academy's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

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

To the Board of Directors of
Martin Luther King, Jr. Education Center Academy

Compliance and Other Matters

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

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

Wilkerson & Associate PC

December 20, 2021

MARTIN LUTHER KING, JR. EDUCATION CENTER ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2021

The following discussion and analysis of Martin Luther King, Jr. Education Center Academy's financial statements provide an overview of the Academy's financial activities for the year ended June 30, 2021. This discussion has been prepared by management and should be read in conjunction with the financial statements and related notes. Responsibility for the completeness and fairness of this information rests with the Academy's management.

Using This Report

Martin Luther King, Jr. Education Center Academy's financial report includes four basic financial statements: Statement of net position, which presents the assets, liabilities and net position of the Academy at the end of the fiscal year, Balance Sheet, Statement of Activities, the Statement of Revenues, Expenditures and Changes in Fund Balances which reflects revenues and expenditures recognized during the fiscal year, and Notes to Financial Statements. These financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) principles which establish standards for external financial reporting for public school academies.

Financial Highlights

The financial statements contained in this report represent the Academy's financial position as of June 30, 2021. The Academy's financial position remains strong at June 30, 2021. Change in net Position for fiscal year ended June 30, 2021, was $973,958.

The financial report is only one measure of our school district's viability. Our goal is to provide services to students, not to generate profits as commercial entities do. Consideration should also be given to the following non-financial factors:

Academic Highlights

- **Rated Top Detroit Elementary School by U.S. News**
  - The US News and World Report has ranked MLK elementary school as #1 and MLK middle school as #11 in the city of Detroit! The publication used state assessment data in math and language arts from the 2018-19 school year. MLK is to be commended for its continued commitment to academic excellence!

- **Finalists- Charter School Administrator of the Year 2019**

- **Top Ranking M-STEP 2017 Results/ DPSCD Charter Portfolio**

- **Top School/DPSCD 2015-2016 Annual Report**
- **2015 elementary/middle school context and performance report card grade A. Mackinac Center for Public Policy**
- **Academic State Champs For Academic Excellence In 2014**
  - Bridge Online Magazine recognized MLKECA as Academic State Champs: MLKECA had the highest MEAP Scores state wide, among schools with a high poverty level.
- **Top 10 Schools/Grade A**
  - MLKECA was ranked within the top 10 of Detroit schools and received a Grade A from Excellent Schools Detroit 2014 Scorecard.
- **Top 25 (MDE)**
  - MDE ranked MLKECA within the Top 25 Charter Schools in Michigan based on MEAP Score Proficiency for the 2012-2013 school year.
- **Reward School**
  - MDE graded MLKECA within the Top 5% of the Top-to-Bottom ranking list; 2013-14 & 2014-15
- **Beating The Odds Schools (2013-2014)**
  - MLKECA's achievement exceeds expectations or predictions based on the demographic characteristics of the schools and students.
- **Top Ten School**
  - Rating received from Excellent Schools Detroit 2014 Scorecard
- **Excellent Schools Score Card 2014 Rating-A**
  - Grade calculated based on state standardized tests, student progress, and the overall culture (parent, teacher, and community feedback) of the school.
- **Top 10 Elementary & Middle Schools (2012-2013)**
  - Based on standardized test scores for over 2000 public elementary and middle schools in Michigan; MLKECA was ranked overall top-performing elementary and middle schools on the Mackinac report card.
- **Gold/Silver Rating- Sister School (MLKEC)**
  - MLKEC rating based on community, state and staff review.

District Wide Financial Statements

The District Wide Financial Statements provide information about the activities of the School District as a whole, presenting both an aggregate view of the School District's finances and a long term view of those finances. District Wide statements are presented on a full accrual basis, which is the primary accounting method used in private industry. The Statement of Net Assets includes all of the District's assets and liabilities. The Statement of Activities reports all of the School District's current year's revenues and expenses by type of activity.

The two district-wide statements report the District's net assets and how they have changed. Net Assets – the difference between the District's assets and liabilities, are one way to measure the District's financial health or position.

- Over time, increases and decreases in the District's net assets are in indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District you need to consider additional non-financial factors.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds, not the District as a whole. It provides information as to the amount of financial resources that can be spent in the near future to finance programs. It also provides information about the District's most significant Funds – the General Fund (the principal operating fund), the Debt Service Fund, and its non-major Funds, which are grouped together and presented as Other Governmental Funds. The School District's non-major Funds are Food Service. Fund Financial Statements are presented on a modified accrual basis. Only those assets that are measurable and currently available are reported. Liabilities are recognized to the extent that they can be paid using current financial resources.

Martin Luther King, Jr. Education Center Academy as a Whole

As discussed above, the Statement of Net Assets provides information of the Academy as a whole. Table 1 provides a summary of the School District's net assets as of June 30, 2021:

Table 1 - Summary of Martin Luther King, Jr. Education Center Academy - Net Position

	Governmental Activities
Assets	
Current and other assets	5,876,189
Capital assets - net of accumulated depreciation	222,089
Total assets	6,098,278

Deferred Outflows of Resources	
Related to other post employment	400,577
Related to pensions	1,183,346
Total Deferred Outflows of Resources	1,583,923
Liabilities	
Current liabilities and accrued expenses	146,259
Net other postemployment benefit liability	912,238
Net Pension Liability	5,918,019
Total liabilities	6,976,516
Deferred Inflows of Resources	
Related to other postemployment benefit	802,119
Related to pensions	305,813
Related to state aid for pensions	221,936
Total Deferred Inflows of Resources	1,329,868
Net Position	
Invested in capital assets, net of related Debt	222,089
Unrestricted	(846,272)
Total Net Position	(624,183)

Net position at year-end was $(624,183). The School District's investment in capital assets, net of accumulated depreciation, was $222,089. The $(624,183) in unrestricted net assets represent the cumulative operating results for the year ended June 30, 2021, primarily due to the adoption of GASB 75 and a (2,140,429) restatement of net position as of July 1, 2017.

Table 2 - Summary of the Statement of Activities

Revenues	
Program revenue	
Grants and categoricals	$1,298,583
General revenues	
State foundation allowance	3,244,932
Interest and Investment Earnings	24,605
Other Funds	35,275
Total revenues	3,304,812

Function/Program Expenses	
Instruction	2,018,846
Support Services	1,378,038
Food Services	203,649
Community Service	5,026
Depreciation	20,878
Total Expenses	3,626,437
Increase in Net Assets	$ 973,958

The Academy experienced an increase in net assets of $973,958

General Fund Budget Highlights

State law requires that school districts periodically amend their budgets to ensure that expenditures do not exceed appropriations. During the year, the School District revised its budget in response to and/or in anticipation of changing operating conditions. The School District had one budget amendment during the year that was approved by the Martin Luther King, Jr. Education Center Academy Board. (A schedule showing the School's District's original budget, final budget, and actual results for the General Fund is provided in the Required Supplemental Information section of the financial statements).

Economic Factors That Will Affect The Future

The Academy's history of sound fiscal management ensures its ability to maintain the competitive edge needed for survival in today's unstable educational market. The Academy continues an aggressive approach to providing quality education for Detroit's children through upgrading and expanding its facilities and programs. The Academy's forty year history of educational excellence, commitment to investing in children (our future), and pioneering spirit, evidenced as one of the first schools chartered by the Detroit Public Schools and the second DPS charter to be authorized by Grand Valley State University. GVSU, whose track record of professional development, fiscal incentives, including stipends for the school and teachers pursing graduate education, will keep MLK poised towards a secure financial future. Collaborative teacher recruitment efforts with Eastern Michigan University, Wayne State University, Michigan State University, and The University of Michigan provide highly qualified teaching staff to continue our standard of academic excellence. The Academy expects continued growth and development in its ability to serve the Metropolitan Detroit community for many years to come.

MARTIN LUTHER KING, JR., EDUCATION CENTER ACADEMY
STATEMENT OF NET POSITION
JUNE 30, 2021

	Governmental activities
ASSETS:	
Cash and cash equivalents	5,114,630
Receivables:	
Intergovernmental receivable	761,034
Prepaid expenses	525
Capital assets, net of accumulated depreciation	222,089
TOTAL ASSETS	6,098,278
DEFERRED OUTFLOWS OF RESOURCES:	
Related to other postemployment benefit	400,577
Related to pensions	1,183,346
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,583,923
LIABILITIES:	
Accounts payable and other accrued expenses	146,259
Net other postemployment benefit liability	912,238
Net pension liability	5,918,019
TOTAL LIABILITIES	6,976,516
DEFERRED INFLOWS OF RESOURCES:	
Related to other postemployment benefit	802,119
Related to pensions	305,813
Related to state aid funding for pensions	221,936
TOTAL DEFERRED INFLOWS OF RESOURCES	1,329,868
NET POSITION:	
Net investment in capital assets, net of related debt	222,089
Unrestricted	(846,272)
TOTAL NET POSITION	$ (624,183)

MARTIN LUTHER KING, JR., EDUCATION CENTER ACADEMY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021

Functions/programs	Expenses	Program revenues: Charges for services	Program revenues: Operating grants	Governmental activities: Net (expense) revenue and changes in net position
Governmental activities:				
Instruction	2,018,846	$ -	$ 1,149,146	$ (869,700)
Support services	1,378,038	-	-	(1,378,038)
Community services	5,026	-	-	(5,026)
Food services	203,649	-	146,437	(57,212)
Interest and fees	-	-	-	-
Unallocated depreciation	20,878	-	-	(20,878)
Total governmental activities	$ 3,626,437	$ -	$ 1,295,583	(2,330,854)
General revenues:				
State sources - unrestricted				3,244,932
ISD sources				-
Local sources				59,880
Total general revenues				3,304,812
CHANGE IN NET POSITION				973,958
NET POSITION, beginning of year				(1,598,141)
NET POSITION, end of year				$ (624,183)

MARTIN LUTHER KING, JR., EDUCATION CENTER ACADEMY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2021

	General fund	Nonmajor (special revenue) fund		Total governmental funds
ASSETS				
ASSETS:				
Cash and cash equivalents	$ 5,114,630	$ -		$ 5,114,630
Receivables:				
Intergovernmental	761,034	-		761,034
Prepaids	525	-		525
TOTAL ASSETS	$ 5,876,189	$ -		$ 5,876,189
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	146,259	$ -		$ 146,259
TOTAL LIABILITIES	146,259	-		146,259
FUND BALANCES:				
Nonspendable:				
Prepaids	525	-		525
Unassigned	5,729,405	-		5,729,405
TOTAL FUND BALANCES	5,729,930	-		5,729,930
TOTAL LIABILITIES AND FUND BALANCES	$ 5,876,189	$ -		$ 5,876,189
Total governmental fund balances	$ 5,729,930			$ 5,729,930
Amounts reported for governmental activities in the statement of net position are different because:				
Deferred outflows of resources - related to pensions				1,183,346
Deferred outflows of resources - related to other postemployment benefit				400,577
Deferred inflows of resources - related to pensions				(305,813)
Deferred inflows of resources - related to other postemployment benefit				(802,119)
Deferred inflows of resources - related to state pension funding				(221,936)
Capital assets used in governmental activities are not financial resources and are not reported in the funds:				
The cost of the capital assets is		278,940		
Accumulated depreciation is		(56,851)		
				222,089
Long-term liabilities, including notes payable are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consis of:				
Net other postemployment benefit liability				(912,238)
Net pension liability				(5,918,019)
Net position of governmental activities				$ (624,183)

MARTIN LUTHER KING, JR. EDUCATION CENTER ACADEMY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE
TO THE STATEMENT OF NET POSITION
JUNE 30, 2021

Total Fund Balances - Governmental Funds		$ 5,729,930	
Amounts reported for governmental activities in the statement of net position are different because:			
Deferred outflow of resources - related to pensions			1,183,346
Deferred outflow of resources - related to other postemployment benefits			400,577
Deferred inflows of resources - related to other postemployment benefits			(305,813)
Deferred inflows of resources - related to pensions			(802,119)
Deferred inflows of resources - related to state pension funding			(221,936)
Long Term Liabilities are not due and payable in the current period and, therefore are not reported as liabilities in the funds:			
Net other postemployment benefit liability			(912,238)
Net Pension Liability			(5,918,019)
Capital assets used in governmental activities are not financial resources and, therefore, not reported as assets in governmental funds.			
Cost of capital assets	$ 278,940		
Accumulated depreciation	(56,851)	222,089	
Total net position - Governmental Activities		$ (624,183)	

MARTIN LUTHER KING, JR., EDUCATION CENTER ACADEMY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2021

	General Fund	Total nonmajor funds	Total governmental funds
REVENUES:			
Local sources:			
Other	59,880	-	59,880
Total local sources	59,880	-	59,880
State sources	3,940,534	4,773	3,945,307
Federal sources	493,041	127,056	620,097
Total revenues	4,493,455	131,829	4,625,284
EXPENDITURES:			
Current:			
Instruction	1,971,948	-	1,971,948
Supporting services	1,297,995	-	1,297,995
Food service activities	-	199,360	199,360
Community service activities	466	-	466
Total expenditures	3,270,409	199,360	3,469,769
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,223,046	(67,531)	1,155,515
OTHER FINANCING SOURCES (USES):			
Transfers in	-	67,531	67,531
Transfers out	(67,531)	-	(67,531)
Total other financing sources (uses)	(67,531)	67,531	-
NET CHANGE IN FUND BALANCES	1,155,515	-	1,155,515
FUND BALANCES:			
Beginning of year	4,574,415	-	4,574,415
End of year	$5,729,930	$ -	$ 5,729,930

MARTIN LUTHER KING, JR., EDUCATION CENTER ACADEMY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021

Net change in fund balances total governmental funds	$ 1,155,515
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. In the statement of activities these costs are allocated over their estimated useful lives as depreciation.	
Depreciation expense	(20,878)
Capital outlay	166,258
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:	
Other postemployment benefits related items	118,472
Pension related items	(420,520)
Restricted revenue reported in the governmental funds that is deferred to offset the deferred outflows related to section 147c pension benefit contributions subsequent to the measurement period:	
Change in state aid funding for pension	(24,889)
Change in net position of governmental activities	$ 973,958

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Martin Luther King, Jr. Education Center Academy (the "Academy") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies:

A. Reporting Entity

Martin Luther King, Jr. Education Center Academy is a public school academy that provides instructional and support services to elementary school students from kindergarten to the eighth grades. The Academy was formed as a public school academy pursuant to the Michigan School Code of 1976, as amended by Act No. 362 of the Public Acts of 1993 and Act No. 416 of the Public Acts of 1994.

The Academy entered a seven-year contract with Grand Valley State University, to charter a public-school academy, on July 1, 2018, effective July 1, 2018 through June 30, 2025. The total administrative fee paid through June 30, 2021 to the Grand Valley State University was approximately $82,166.75. 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 will pay Grand Valley State University 3 percent of State aid as an administrative fee.

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational and financial relationships that determine which of the governmental organizations are a part of the Academy's reporting entity, and which organizations are legally separate, component units of the Academy. Based on application of the criteria, the entity does not contain component units.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. District-Wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational and capital requirements of a particular function.

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

District-Wide Statements

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fund-Based Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as required under accrual accounting. However, debt service expenditures 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 State of Michigan utilizes a foundation allowance approach, which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The State portion of the foundation is provided from the State's School Aid Fund and is recognized as revenue in accordance with state law.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

- Non-spendable- Amounts that are not in spendable form or are legally or contractually required to be maintained intact.

- Restricted- Amounts that are legally restricted by outside parties, constitutional provision, or by enabling legislation for use of a specific purpose.

- Committed- Amounts that have been formally set aside by the Board of Directors for use and specific purposes. Commitments are made and can be rescinded only via resolution of the Board of Directors.

- Assigned- Intent to spend the resources on a specific purpose expressed by the Board of Directors.

- Unassigned- Amounts that do not fall into any of the above categories. This is the residual classification for amounts in the General Fund and represents the fund balance that has not been assigned to other funds or has not been restricted, committed or assigned for specific purposes in the General Fund.

The Academy uses restricted amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a debt covenants or grant agreements requiring dollar for dollar spending. Additionally, when necessary, the Academy would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The Academy does not have a formal minimum fund balance policy. The Board of Directors shall ensure that adequate funds are reserved for the General Fund to maintain a secure financial position.

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

D. Assets, Liabilities, and Net Position or Equity

Deposits, Cash Equivalents, and Investments

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

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

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

Investments are recorded at fair value, based on quoted market prices, or estimated fair value.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Capital Assets

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

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

Buildings	40 years
Furniture and other equipment	5 – 10 years
Leasehold improvements	20 years

Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

Long-Term Obligations

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fund Equity

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

Comparative Data

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

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

Capital assets of $278,940 (net of depreciation of $222,090) are currently recorded in the governmental activities column of the statement of Net Position.

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

Estimates

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

D. Assets, Liabilities, and Net Position or Equity (Continued)
Budgetary Data

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

1. Budgets must be adopted for the General Fund and Special Revenue Funds.

2. The budgets must be balanced.

3. The budgets must be amended when necessary.

4. Public hearings must be held before budget adoptions.

5. Expenditures cannot exceed budget appropriations.

6. Expenditures must be authorized by a budget before being incurred.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

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

NOTE 3 - DEPOSITS AND INVESTMENTS

State statutes and the Academy's investment policy authorize the Academy to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan; the Academy is allowed to invest in U.S. Treasury or agency obligations, U.S. government repurchase agreements, 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's deposits are in accordance with statutory authority. The Academy has designated one bank for the deposit of its funds, and has not adopted any other formal investment policy.

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

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

At year end, the Academy's deposits and investments were reported in the basic financial statements as cash and cash equivalents of $5,114,630.

The deposits of the Academy were reflected in the accounts of the financial institution at $5,114,630 of which $500,000 is covered by federal depository insurance.

NOTE 4 - CAPITAL ASSETS

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

	Balance July 1, 2020	Additions	Disposals and Adjustments	Balance June 30, 2021
Assets being depreciated:				
Building	$ -	$ -	$ -	$ -
Leasehold improvements	55,580	-	-	55,580
Furniture and equipment	57,102	166,258	-	223,360
Subtotal	112,682	166,258	-	278,940
Less: accumulated depreciaiton				
Building and Improvements	-		-	-
Land and L/H Improvements	20,519	4,519	-	25,038
Furniture and Equipment	15,454	16,358	-	31,812
Total Accum Depreciation	35,973	20,877	-	56,850
Net capital assets	$ 76,709	$ 145,381	$ -	$ 222,090

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

NOTE 5 - RISK MANAGEMENT

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

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The Michigan Public School Employees' Retirement System (MPSERS) (System) 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. MPSERS issues a publicly available Comprehensive Annual Financial Report that can be obtained at www.michigan.gov/orsschools.

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

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

Benefits Provided - Overall

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

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

Benefits Provided - Pension

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

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Benefits Provided - Pension (continued)

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

Pension Reform 2010

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

Pension Reform 2012

On September 4, 2012, the Governor signed Public Act 300 of 2012 into law. The legislation grants all active members who first became a member before July 1, 2010 and who earned service credit in the 12 months ending September 3, 2012 or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their pension. Any changes to a member's pension are effective as of the member's *transition date*, which is defined as the first day of the pay period that begins on or after February 1, 2013.

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

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

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

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

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension Reform 2012 (continued)

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

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

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

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

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

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

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension Reform of 2017

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

Benefits Provided - Other Postemployment Benefit (OPEB)

Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which, through 2012, was funded on a cash disbursement basis. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, prescription drug, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree health care recipient. For members who first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP-Graded plan members), the subsidy is the maximum allowed by statute. To limit future liabilities of Other Postemployment Benefits, members who first worked on or after July 1, 2008, (MIP-Plus plan members), have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning January 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date.

Retiree Healthcare Reform of 2012

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

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

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Regular Retirement (no reduction factor for age)

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

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

Member Contributions

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

Employer Contributions

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

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

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

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

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

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Employer Contributions (continued)

The Academy's pension contributions for the year ended June 30, 2021 were equal to the required contribution total. Total pension contributions were approximately $427,000. Of the total pension contributions approximately $423,000 was contributed to fund the Defined Benefit Plan and approximately $4,000 was contributed to fund the Defined Contribution Plan.

The Academy's OPEB contributions for the year ended June 30, 2021 were equal to the required contribution total. Total OPEB contributions were approximately $97,000. Of the total OPEB contributions approximately $96,000 was contributed to fund the Defined Benefit Plan and approximately $1,000 was contributed to fund the Defined Contribution Plan.

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

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

Pension Liabilities

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

MPSERS (Plan) Non-university employers:	September 30, 2020	September 30, 2019
Total pension liability	$ 85,290,583,799	$ 83,442,507,212
Plan fiduciary net position	$ 50,939,496,006	$ 50,325,869,388
Net pension liability	$ 34,351,087,793	$ 33,116,637,824
Proportionate share	0.01723%	0.01816%
Net Pension liability for the District	$ 5,918,019	$ 6,013,266

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

For the year ended June 30, 2021, the Academy recognized pension expense of $843,707.

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

	Deferred Outflows of resources	Deferred (Inflows) of resources
Change in assumptions	$ 655,774	$ -
Net difference between projected and actual earnings on pension plan investments	24,865	
Differences between expected and actual experience	90,422	(12,631)
Changes in proportion and difference between employer contributions and proportionate share of contributions	2,975	(293,182)
Reporting Unit's contributions subsequent to the measurement date	409,310	-
	$ 1,183,346	$ (305,813)

$409,310, reported as deferred outflows of resources related to pensions resulting from Academy employer contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

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

Year ended September 30,	Amount
2021	$ 253,007
2022	149,285
2023	54,191
2024	11,740

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

OPEB Liabilities

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

MPSERS (Plan) Non-university employers:	September 30, 2020	September 30, 2019
Total OPEB liability	$ 13,206,903,534	$ 13,925,860,688
Plan fiduciary net position	$ 7,849,636,555	$ 6,748,112,668
Net OPEB liability	$ 5,357,266,979	$ 7,177,748,020
Proportionate share	0.01703%	0.01782%
Net OPEB liability for the District	$ 912,238	$ 1,278,767

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

For the year ended June 30, 2021, the Academy recognized OPEB benefit of $22,902.

At June 30, 2021, the Reporting Unit 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
Change in assumptions	$ 300,783	$ -
Net difference between projected and actual earnings on pension plan investments	7,614	-
Differences between expected and actual experience	-	(679,703)
Changes in proportion and difference between employer contributions and proportionate share of contributions	2,723	(122,416)
Reporting Unit's contributions subsequent to the measurement date	89,457	-
	$ 400,577	$ (802,119)

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

$89,457, reported as deferred outflows of resources related to OPEB resulting from Academy employer contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year.

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

Year ended September 30,	Amount
2021	$ (129,317)
2022	(119,148)
2023	(102,469)
2024	(81,798)
2025	(58,267)

Actuarial Assumptions

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

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

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

Inflation - 3.0%.

Mortality Assumptions:

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

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

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

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

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

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

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

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

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

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

Survivor Coverage - 80% of male retirees and 67% of female retirees are assumed to have coverage continuing after the retiree's death.

Coverage Election at Retirement - 75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

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

Investment category	Target allocation	Long-term expected real rate of return*
Domestic Equity Pools	25.00%	5.60%
Private Equity Pools	15.00%	7.40%
International Equity	16.00%	9.30%
Fixed Income Pools	10.00%	4.90%
Real Estate and Infrastructure Pools	10.50%	0.50%
Absolute Return Pools	9.00%	3.20%
Real Return/Opportunistic Pools	12.50%	6.60%
Short Term Investment Pools	2.00%	-0.10%
	100.00%	

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

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

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

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

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

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

	Pension		
	1% Decrease	Discount rate	1% Increase
Reporting Unit's proportionate share of the net pension liability	$ 7,659,872	$ 5,918,019	$ 4,474,411

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

	Other postemployment benefit		
	1% Decrease	Discount rate	1% Increase
Reporting Unit's proportionate share of the net OPEB liability	$ 1,171,874	$ 912,238	$ 693,647

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

	Other postemployment benefit		
	1% Decrease	Healthcare cost trend rates	1% Increase
Reporting Unit's proportionate share of the net OPEB liability	$ 685,277	$ 912,238	$ 1,170,378

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension and OPEB Plan Fiduciary Net Position

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

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

NOTE 7 - NEW ACCOUNTING STANDARD

For the year ended June 30, 2021, the District implemented the following new pronouncement: GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*

Summary:

GASB Statement No. 75 requires governments that participate in defined benefit Other Postemployment Benefit (OPEB) plans to report in the statement of net position a net OPEB liability. The net OPEB liability is the difference between the total OPEB liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside in a trust and restricted to paying benefits to current employees, retirees, and their beneficiaries. The Statement requires cost-sharing employers to record a liability and expense equal to their proportionate share of the collective net OPEB liability and expense for the cost-sharing plan. The Statement also will improve the comparability and consistency of how governments calculate the OPEB liabilities and expense.

NOTE 8 - OPERATING LEASE

The Academy entered a five-year lease with Legacy Educational Enterprises for premises located at 16841 Appoline, Detroit, Michigan. The total annual rent for the period September 1, 2020, through August 1, 2021, is $275,064, payable in monthly payments. The lease automatically renews unless either party gives a 30-day written notice to terminate. Rent expense for the year ended June 30, 2021, was $275,064.

NOTE 9 - RELATED PARTY TRANSACTIONS

Dr. Constance Price is a member of Legacy Educational Enterprises who owns the premises of the Academy.

NOTE 10 - SUBSEQUENT EVENTS

On August 8, 2021, it was discovered that none of the users of the Academy's accounting computer were able to log on to it. An immediate investigation by the Academy's Systems Administrator determined that all the files on the computer's hard drive, essentially all the Academy's financial records, had been encrypted by ransom software. This meant that all the ongoing work on closing the Academy's books and preparing final statements for the year ended June 30, 2021, stopped. After working diligently to resolve this problem, the Systems Administrator was unable to remove the virus and a data recovery consulting firm was hired on September 1, 2021, to recover the computer files. After working on an emergency basis to resolve the ransom software encryption for 4 weeks, this computer data recovery consulting firm was also unable to decrypt the locked files. A Certified Cyber Investigations firm was engaged on September 28, 2021, to negotiate the release of the encrypted files. After several weeks of diligent effort working with this firm, the Academy was provided a decryption key and obtained full access to the encrypted files on October 31, 2021. At this point, the Academy was nearly three months behind in preparing its year in financial statements and preparing for the year end audit. Even though the Academy staff worked continuously to complete the financial statements and the audit, and with the full cooperation of the Academy's auditors, the field work for the audit was not completed until November 23, 2021. The completed financials were provided to the auditor for review on December 21, 2021.

REQUIRED SUPPLEMENTARY INFORMATION

MARTIN LUTHER KING, JR. EDUCATION CENTER ACADEMY
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020

	Budgeted Amounts			Variances Over/(Under) Final to Actual
	Original	Final	Actual (GAAP Basis)	
Revenues				
Local revenues	$ 22,500	$ 44,627	59,880	$ 15,253
State program revenues	3,436,026	3,930,143	3,940,534	10,391
Federal program revenues	520,589	453,355	493,041	39,686
Total revenues	3,979,115	4,428,125	4,493,455	65,330
Expenditures				
Current				
Instruction	2,179,393	2,121,432	1,968,596	(152,836)
Added Needs	-		3,352	3,352
Supporting services				
Pupil	162,778	194,430	151,899	(42,531)
Instructional support	132,490	35,000	29,275	(5,725)
General administration	109,327	107,878	98,688	(9,190)
School administration	257,102	302,686	291,018	(11,668)
Business services	246,523	202,569	202,468	(101)
Operations and maintenance	486,319	500,000	498,957	(1,043)
Transportation	1,100	1,100	1,101	1
Central Support Services	35,546	25,000	24,589	(411)
Community services	1,400	2,500	466	(2,034)
Total expenditures	3,611,978	3,492,595	3,270,409	(222,186)
Excess (Deficiency) of Revenues Over Expenditures	367,137	935,530	1,223,046	287,516
Other Financing Sources (Uses)				
Transfer Out	-	-	(67,531)	(67,531)
Total other financing sources (uses)	-	-	(67,531)	(67,531)
Net Change in Fund Balance	367,137	935,530	1,155,515	219,985
Fund Balance - Beginning of year	4,574,415	4,574,415	# 4,574,415	-
Fund Balance - End of year	$ 4,941,552	$ 5,509,945	$ 5,729,930	$ 219,985

MARTIN LUTHER KING, JR. EDUCATION CENTER ACADEMY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
LAST 10 FISCAL YEARS (DETERMINED AS OF PLAN YEAR ENDED SEPTEMBER 30)

	2020	2019	2018	2017	2016	2015	2014
Reporting unit's proportion of net pension liability (%)	0.01723%	0.01816%	0.01870%	0.01878%	0.01872%	0.01785%	0.01665%
Reporting unit's proportionate share of net pension liability	5,918,019	6,013,266	5,622,264	4,867,935	$ 4,671,118	$ 4,360,588	$ 3,709,448
Reporting unit's covered-employee payroll	1,512,073	1,608,897	$ 1,652,244	$ 1,571,252	$ 1,655,467	$ 1,450,230	$ 1,432,460
Reporting unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	391.38%	373.75%	340.28%	309.81%	282.16%	300.68%	258.96%
Plan fiduciary net position as a percentage of total pension liability	59.72%	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%

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

MARTIN LUTHER KING, JR. EDUCATION CENTER ACADEMY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S PENSION CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
LAST 10 FISCAL YEARS (DETERMINED AS OF THE YEAR ENDED JUNE 30)

	2021	2020	2019	2018	2017	2016	2015
Statutorily required contributions	$ 423,187	$ 542,749	$ 505,727	$ 504,661	$ 390,021	$ 434,926	$ 362,324
Contributions in relation to statutorily required contributions	423,187	542,749	505,727	504,661	390,021	434,926	362,324
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Reporting unit's covered-employee payroll	1,443,625	1,561,341	$ 1,577,586	$ 1,622,091	$ 1,546,946	$ 1,686,253	$ 1,428,577
Contributions as a percentage of covered-employee payroll	29.31%	34.76%	32.06%	31.11%	25.21%	25.79%	25.36%

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

MARTIN LUTHER KING, JR. EDUCATION CENTER ACADEMY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE SHARE
OF THE NET OPEB LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
LAST 10 FISCAL YEARS (DETERMINED AS OF PLAN YEAR ENDED SEPTEMBER 30)

	2020	2019	2018
Reporting unit's proportion of net OPEB liability (%)	0.01703%	0.01782%	0.01890%
Reporting unit's proportionate share of net OPEB liability	$ 912,238	$ 1,278,767	$ 1,502,194
Reporting unit's covered-employee payroll	$ 1,512,073	$ 1,608,897	$ 1,652,244
Reporting unit's proportionate share of net OPEB liability as a percentage of its covered-employee payroll	60.33%	79.48%	90.92%
Plan fiduciary net position as a percentage of total OPEB liability	59.44%	48.46%	42.95%

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

MARTIN LUTHER KING, JR. EDUCATION CENTER ACADEMY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S OPEB CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
LAST 10 FISCAL YEARS (DETERMINED AS OF THE YEAR ENDED JUNE 30)

	2020	2019	2018
Statutorily required contributions	$ 95,570	$ 163,308	$ 141,361
Contributions in relation to statutorily required contributions	95,570	163,308	141,361
Contribution deficiency (excess)	$ -	$ -	$ -
Reporting unit's covered-employee payroll	$ 1,443,625	$ 1,561,341	$ 1,577,586
Contributions as a percentage of covered-employee payroll	6.62%	10.46%	8.96%

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

MARTIN LUTHER KING, JR. EDUCATION CENTER ACADEMY
SCHEDULE OF NET PENSION LIABILITY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

NOTE 1 - PENSION INFORMATION

Benefit changes - there were no changes of benefit terms in 2020.

Changes of assumptions – there were no changes of assumptions in 2020.

NOTE 2 - OPEB INFORMATION

Benefit changes - there were no changes of benefit terms in 2020.

Changes of assumptions - the assumption changes for 2020 were:

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

MARTIN LUTHER KING, JR. EDUCATION CENTER ACADEMY
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2021

	Food Services
Revenues	
Local sources	$ -
State sources	4,773
Federal sources	127,056
Total revenues	131,829
Expenditures	
Food Services	199,360
Total expenditures	199,360
Excess (Deficiency) of Revenues Over Expenditures	(67,531)
Net Change in Fund Balances	(67,531)
Transfer In	67,531
Fund Balances - Beginning of Year	-
Fund Balances - End of Year	$ 0

See accompanying notes to financial statements