Taylor & Morgan | CPAs and Business Advisors

George Washington Carver Academy

Audited Financial Statements

June 30, 2022

Prepared by Taylor & Morgan, P.C.

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INDEPENDENT AUDITOR'S REPORT

Board of Education
George Washington Carver Academy

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the George Washington Carver Academy, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the George Washington Carver Academy's basic financial statements as listed in the table of contents.

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 the George Washington Carver 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the George Washington Carver 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 15 to the financial statements, in 2022 the Academy adopted new accounting guidance, GASB Statement 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 George Washington Carver 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.

Auditor's 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 auditor's 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

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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 George Washington Carver 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 George Washington Carver 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 and the required supplemental information, as listed 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise George Washington Carver Academy's basic financial statements. The accompanying combining and individual fund nonmajor governmental fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied 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 schedule of expenditures of federal awards is 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 February 7, 2023, on our consideration of the George Washington Carver 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 George Washington Carver 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 George Washington Carver Academy's internal control over financial reporting and compliance.

Sincerely,

Taylor & Morgan, P.C.

Taylor & Morgan, P.C.
Certified Public Accountants

Flint, Michigan
February 7, 2023

This section of George Washington Carver Academy's (the "Academy") annual financial report presents our discussion and analysis of the Academy's financial performance during the year ended June 30, 2022. Please read it in conjunction with the Academy's financial statements, which immediately follow this section.

George Washington Carver Academy now operates two public schools within one building located at 14510 Second Avenue, Highland Park, MI. The first, George Washington Carver Academy Elementary School, operates as a Pre-Kindergarten through fourth grade school. The second, George Washington Carver Middle School, operates as a fifth through eighth grade school.

FINANCIAL POSITION AND RESULTS OF OPERATIONS

George Washington Carver Academy's *net position* – the difference between assets and liabilities, as reported in the Statement of Net Position, is one way to measure the Academy's financial health, or *financial position*. Over time, *increases or decreases* in the Academy's net position, as reported in the Statement of Activities, is one indicator of whether its *financial health* is improving or deteriorating. The relationship between revenues and expenses indicates the Academy's *operating results*. However, the Academy's goal is to provide services to its students, not to generate profits as commercial entities do. Many other non-financial factors, such as the quality of the education provided and the safety of the school must also be considered when assessing the *overall health* of the Academy.

George Washington Carver Academy's net position totaled $2,313,974 at June 30, 2022. Of this amount, $1,084,021 was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and legislation that limits the Academy's ability to use that net position for day-to-day operations. The following table is a comparable summary of the Academy's net position at June 30, 2022 and June 30, 2021 respectively:

	June 30, 2022	**June 30, 2021**
Assets		
Current assets	$ 3,988,408	$ 3,534,954
Capital assets net of depreciation	3,952,641	3,909,849
Total assets	7,941,049	7,444,803
Deferred Outflows of Resources	179,947	229,706
Liabilities		
Current liabilities	1,319,798	1,117,020
Long-term liabilities	4,268,962	4,670,872
Total liabilities	5,588,760	5,787,892
Deferred Inflows of Resources	218,262	59,408
Net Position		
Restricted for Capital Projects	147,914	114,887
Restricted for Debt Service	706,427	388,873
Restricted for Food Service	375,612	236,728
Unrestricted	1,084,021	1.136.721
Total net position	$ 2,313,974	$ 1,827,209

The $1,084,021 in unrestricted net position of governmental activities represents Academy funds that have not been committed contractually or for debt obligations and are available for future use.

The net position increased $486,765 in 2021-22. This increase was a result of closely monitoring the budget and reducing spending where possible, in addition to the Academy being able to save on expenditures due to the pandemic.

The results of this year's operations for George Washington Carver Academy as a whole are reported in the Statement of Activities. A summary of the Academy-wide results of operations for the years ended June 30, 2022 and June 30, 2021 are as follows:

	June 30, 2022	June 30, 2021
General revenue		
State of Michigan aid, unrestricted	$ 3,514,059	$ 4,127,736
Other – federal, state and local	65,538	23,845
Total general revenue	3,579,597	4,151,581
Program revenue		
Operating grants and contributions	3,924,352	2,927,897
Total revenues	7,503,949	7,079,478
Expenses		
Instruction	2,955,762	2,514,401
Support services	3,066,448	2,809,240
Community Services	192,905	126,954
Other Services	29,775	2,585
Food Services	266,405	488,677
Depreciation	161,373	134,033
Interest Expense	344,516	360,906
Total expenses	7,017,184	6,436,796
Increase/(Decrease) in net position	486,765	642,682
Net position – July 1	1,827,209	1,184,527
Net position – June 30	$ 2,313,974	$ 1,827,209

Total net position increased ~ $487,000 in 2021-22. The major components of the change in net position are as follows:

- Depreciation and Capital acquisitions: Capital outlay in the form of construction in progress of $76,870 and a right to use asset for leased equipment of $127,295 was recorded as an increase to capital assets for the year ended June 30, 2022. Depreciation and amortization was $161,373, decreasing net capital assets by the amount.

- Debt repayment: Repayment of debt decreases the Academy's long-term principal obligations and increases net position. The Academy repaid $329,032 of long-term debt in the current fiscal year.

- GASB 68 pension adjustment: Adjustments to the government-wide statements include an increase in pension expense totaling $48,072.

- GASB 75 OPEB adjustment: Adjustments to the government-wide statements include a decrease in Other Post-Employment Benefit (OPEB) expense totaling $14,632.

GOVERNMENTAL FUNDS FINANCIAL HIGHLIGHTS

Our financial statements provide the following insights about the results of this year's operations:

- In total, the governmental fund's fund balance decreased $80,820.

- Total governmental fund revenue increased $438,797 from the prior year. This was due to increases in the amount of additional Federal funding received.

- Total governmental fund expenditures increased $876,472 from the prior year. This was due to additional expenses associated with the additional Federal funding received.

MAJOR GOVERNMENTAL FUNDS BUDGETING AND OPERATING HIGHLIGHTS

George Washington Carver Academy's budgets are prepared according to Michigan law and are initially adopted prior to July 1 of each year, before student enrollment counts are known. Therefore, it is expected that there will be changes between the initial budget and subsequent budgets, as actual enrollments and resultant staffing requirements are known. Currently, the most significant budgeted fund is the General Fund. During the fiscal year ending June 30, 2022, the Academy amended the budgets of this major governmental fund one time. Each amendment reflected a change in revenues and/or expenditures.

General Fund

In the general fund, the actual revenue was $6,745,956. This is less than the final amended budgeted amount of $6,959,717 with a variance of approximately 3.1%. The actual expenditures and transfers of the general fund were $7,001,264. This is less than the final amended budgeted amount of $7,690,411.

The net change in fund balance was $(255,308) at June 30, 2022 and the fund balance totaled $913,994 at June 30, 2022.

GOVERNMENTAL FUND EXPENDITURES

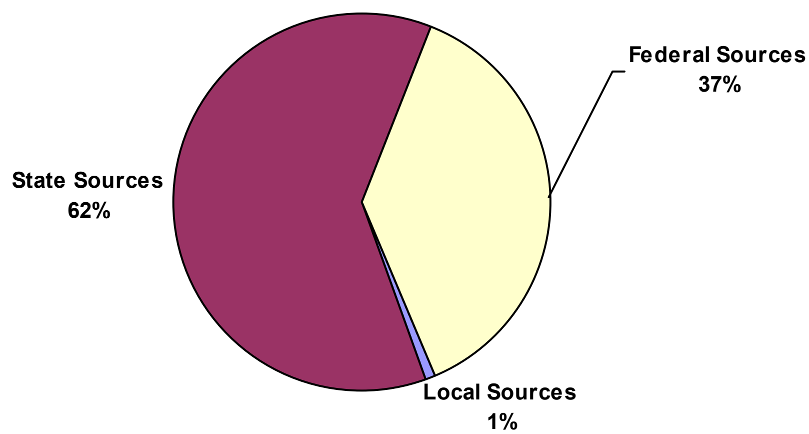
The following chart illustrates that general fund comprises 82.56% of all the expenditures within the governmental funds of George Washington Carver Academy. As of June 30, 2022, expenditures totaled $7,232,273 for all Academy programs. The ending fund balance for all funds was equal to $2,383,240.

	June 30, 2022 (In millions)	% Of TOTAL
General Fund	$6.33	87.55%
Debt Retirement Fund	.64	8.85%
Food Service Fund	.26	3.60%
Capital Projects Fund	-	-
Total	$7.23	100.00%

TOTAL REVENUES

Revenues for all governmental funds totaled $7,151,453. The following graph illustrates George Washington Carver Academy revenues by source as a percentage of total revenue:

Revenues by Source



Unrestricted State Aid

The Academy's operating costs are predominately funded by State Aid. The per-pupil allowance increased by $589/pupil to $8,700 for the 21-22 fiscal year. State Aid membership was computed for the 2021-22 school year with a blended count of 90% of the October 2021 count and 10% of the February 2022 count.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the 2021-2022 fiscal period, the Academy had $8,020,699 invested in fixed assets. Of this amount, $4,068,058 has been depreciated. Net book value totaled $3,952,641.

CAPITAL ASSETS AT YEAR END
(NET OF DEPRECIATION)

	Governmental Activities
Land	$ 776,137
Construction in Progress	76,870
Right to Use-Leases	91,935
Buildings and Additions	3,007,699
Total	$3,952,641

Debt

As of June 30, 2022 the Academy has $4,100,000 in debt outstanding, comprised of certificates of participation, bearing interest at rates between 8 percent and 8.125 percent per annum.

For more detailed information regarding capital assets and debt administration, please review the Notes to the Basic Financial Statements located in the financial section of this report.

CONTACTING THE SCHOOL ACADEMY'S FINANCIAL MANAGEMENT

This report is designed to give an overview of the financial conditions of George Washington Carver Academy. If you should desire additional detailed financial program audits, they can be obtained by contacting the following:

Business Office
George Washington Carver Academy
14510 Second Avenue
Highland Park, MI 48203
Telephone 313-865-6024

BASIC FINANCIAL STATEMENTS

GEORGE WASHINGTON CARVER ACADEMY
STATEMENT OF NET POSITION
JUNE 30, 2022

		Governmental Activities
Assets		
Cash, Cash Equivalents and Investments	$	1,926,952
Due from Other Governmental Units		2,052,215
Accounts Receivable		4,241
Deposits		5,000
Capital Assets Not Being Depreciated		853,007
Capital Assets, Net of Accumulated Depreciation and Amortization		3,099,634
Total Assets		7,941,049
Deferred Outflows of Resources		
Deferred Pension Costs		121,719
Deferred OPEB Costs		58,228
Total Deferred Outflows of Resources		179,947
Liabilities		
Accounts Payable		187,654
State Aid Notes Payable		65,742
Accrued Liabilities		4,619
Due to State of Michigan		5,058
Advances from Grantors		269,047
Accrued Wages		352,559
Accrued Interest on Long-Term Debt		115,119
Current Portion of Long-Term Debt		320,000
Noncurrent Liabilities:		
Direct Borrowings and Direct Placements		93,263
Net pension liability		370,428
Net OPEB Liability		25,271
Participation Notes		3,780,000
Total Liabilities		5,588,760
Deferred Inflows of Resources		
Deferred Pension Cost Reductions		122,569
Deferred OPEB Cost Reductions		95,693
Total Deferred Inflows of Resources		218,262
Net Position		
Restricted for:		
Capital Projects		147,914
Debt Service		706,427
School Lunch		375,612
Unrestricted		1,084,021
Total Net Position	$	2,313,974

See accompanying notes to basic financial statements.

GEORGE WASHINGTON CARVER ACADEMY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
Functions/Programs:				
Governmental Activities:				
Instruction	$ 2,955,762	$ -	$ 1,535,001	$ (1,420,761)
Support Services	3,066,448	-	1,984,062	(1,082,386)
Community Services	192,905	-	-	(192,905)
Other Services	29,775	-	-	(29,775)
Food Services	266,405	-	405,289	138,884
Interest on Long-Term Debt	344,516	-	-	(344,516)
Unallocated Depreciation and Amortization	161,373	-	-	(161,373)
Total Governmental Activities	$ 7,017,184	$ -	$ 3,924,352	(3,092,832)
General Purpose Revenues:				
State School Aid				3,514,059
Miscellaneous				65,538
Total General Revenue				3,579,597
Change in Net Position				486,765
Net Position - July 1				1,827,209
Net Position - June 30				$ 2,313,974

See accompanying notes to basic financial statements.

GEORGE WASHINGTON CARVER ACADEMY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2022

	General Fund	Debt Retirement Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets				
Cash, Cash Equivalents and Investments	$ 737,255	$ 1,041,783	$ 147,914	$ 1,926,952
Due from Other Funds	96,063	-	365,302	461,365
Due from Other Governmental Units	2,036,278	-	15,937	2,052,215
Accounts Receivable	4,241	-	-	4,241
Deposits	5,000	-	-	5,000
Total Assets	$ 2,878,837	$ 1,041,783	$ 529,153	$ 4,449,773
Liabilities and Fund Balance				
Liabilities:				
Accounts Payable	$ 186,867	$ -	$ 787	$ 187,654
State Aid Notes Payable	65,742	-	-	65,742
Due to Other Funds	365,302	96,063	-	461,365
Due to State of Michigan	5,058	-	-	5,058
Advances from Grantors	269,047	-	-	269,047
Accrued Wages	347,719	-	4,840	352,559
Accrued Liabilities	4,619	-	-	4,619
Total Liabilities	1,244,354	96,063	5,627	1,346,044
Deferred Inflows of Resources				
Unavailable Revenue	720,489	-	-	720,489
Total Liabilities and Deferred Inflows of Resources	1,964,843	96,063	5,627	2,066,533
Fund Balance:				
Non-Spendable	5,000	-	-	5,000
Restricted	-	945,720	523,526	1,469,246
Unassigned	908,994	-	-	908,994
Total Fund Balance	913,994	945,720	523,526	2,383,240
Total Liabilities and Fund Balance	$ 2,878,837	$ 1,041,783	$ 529,153	$ 4,449,773

See accompanying notes to basic financial statements.

GEORGE WASHINGTON CARVER ACADEMY
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2022

Total Governmental Fund Balances		$ 2,383,240
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Cost of capital assets	$ 8,020,699	
Accumulated depreciation and amortization	(4,068,058)	3,952,641
Grants and other receivables that are collected after year end, such that they are not available to pay bills outstanding as of year end, are not recognized in the funds.		720,489
Long-term liabilities, including bonds 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 consist of:		
Direct Borrowings and Direct Placements	(93,263)	
Participation Notes Payable	(4,100,000)	
Net Pension Liability	(370,428)	
Net OPEB Liability	(25,271)	(4,588,962)
In the statement of net assets, interest has been accrued on Long-term Debt as of June 30, 2022		(115,119)
Deferred inflows and outflows related to the implementation of GASB Statement No. 68 are not included as assets and liabilities in the governmental funds:		
Deferred Pension Inflows		(122,569)
Deferred Pension Outflows		121,719
Deferred inflows and outflows related to the implementation of GASB Statement No. 75 are not included as assets and liabilities in the governmental funds:		
Deferred OPEB Inflows		(95,693)
Deferred OPEB Outflows		58,228
Total net position - governmental activities		$ 2,313,974

See accompanying notes to basic financial statements.

GEORGE WASHINGTON CARVER ACADEMY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	General Fund	Debt Retirement Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues:				
Local Sources	$ 65,886	$ 181	$ 27	$ 66,094
State Sources	4,403,801	-	(58)	4,403,743
Federal Sources	2,276,269	-	405,347	2,681,616
Total Revenues	6,745,956	181	405,316	7,151,453
Expenditures:				
Instruction:				
Basic Programs	1,995,306	-	-	1,995,306
Added Needs	960,456	-	-	960,456
Total Instruction	2,955,762	-	-	2,955,762
Support Services:				
Pupil Services	230,712	-	-	230,712
Instructional Staff	515,961	-	-	515,961
General Administration	244,314	-	-	244,314
School Administration	624,261	-	-	624,261
Business Services	294,748	-	-	294,748
Operation and Maintenance	784,401	-	-	784,401
Transportation	243,026	-	-	243,026
Support Services	299,750	-	-	299,750
Other Support Services	1,952	-	266,405	268,357
Community Services	192,905	-	-	192,905
Welfare Activities	27,823	-	-	27,823
Total Support Services	3,459,853	-	266,405	3,726,258
Total Expenditures	6,415,615	-	266,405	6,682,020
Excess (Deficiency) of Revenues Over/(Under) Expenditures	330,341	181	138,911	469,433
Other Financing Sources/(Uses):				
Debt Service	(37,439)	(640,109)	-	(677,548)
Lease Proceeds	127,295	-	-	127,295
Operating Transfers In/(Out)	(675,505)	642,505	33,000	-
Total Other Financing Sources/(Uses)	(585,649)	2,396	33,000	(550,253)
Net Changes in Fund Balances	(255,308)	2,577	171,911	(80,820)
Fund Balance - July 1	1,169,302	943,143	351,615	2,464,060
Fund Balance - June 30	$ 913,994	$ 945,720	$ 523,526	$ 2,383,240

GEORGE WASHINGTON CARVER 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

Total net change in fund balances - governmental funds	$	(80,820)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation and amortization expense. This is the amount of depreciation and amortization expense recorded in the current period.		(161,373)
Capital Outlay is recorded as an expenditure in the General Fund, but recorded as an asset in the Statement of Net Position.		204,165
source) in the fund financial statement but are recorded as a leases payable on the government wide financial statements		(127,295)
Revenue is reported in the statement of activities when earned; revenue is not reported in the funds until collected or collectible and available to pay current obligations.		352,496
Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of repayments reported as expenditures in the governmental funds.		329,032
Interest on long-term debt in the statement of activities includes accrued interest while the governmental funds statement does not. The (increase)/decrease in accrued interest on long-term debt at June 30, 2022, was		4,000
Pension expense in the government-wide statements has been adjusted to reflect the requirements of GASB No. 68. This is the amount of the adjustment to pension expense in the government-wide statements.		(48,072)
Retiree health expense in the government-wide statements has been adjusted to reflect the requirements of GASB No. 75. This is the amount of the adjustment to retiree health expense in the government-wide statements.		14,632
Change in net position of governmental activities	$	486,765

NOTES TO BASIC FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies

The accounting policies of George Washington Carver Academy ("The Academy") conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant accounting policies:

Organizational Structure
George Washington Carver 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 1933 and Act No. 416 of the Public Acts of 1994. The Academy filed articles of incorporation as a nonprofit corporation pursuant to the provisions of the Michigan Nonprofit Corporation Act of 1982, as amended, and began operation in September 1999.

On July 1, 2016, the Academy entered into a contract with Bay Mills Community College 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. The Bay Mills Community College Board of Trustees 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 the Bay Mills Community College Board of Trustees three percent of their received State Aid as administrative fees. Total administrative fees paid under this agreement for the year ended June 30, 2022, were $132,307.

On July 1, 2021, the Academy entered into an agreement with Provision Board Solutions, LLC for board accountant services and board administrative services through June 30, 2022. Under the terms of this agreement, Provision Board Solutions, LLC provides financial accounting and reporting services that includes budget preparation, general ledger maintenance, financial reporting to the board, internal control maintenance, audit assistance and compliance reporting. Board administrative services under the terms of this agreement include maintaining corporate and board records, compiling and communicating board meeting dates, minutes and agendas and developing and maintaining board policies. This agreement was terminated in January 2022. Total fees paid to Provision Board Solutions, LLC for the year ended June 30, 2022, were $59,620.

On July 1, 2021, the Academy entered into an agreement with MM1, Inc. for human resource services. Under the terms of this agreement, MM1, Inc. provides payroll management, benefits management, and all elements of hiring and training employees. Total fees paid to MM1, Inc. for the year ended June 30, 2022, were $52,992.

On February 1, 2022, the Academy entered into an agreement with Midwest Management Group, Inc. for business services through June 30, 2023. Under this agreement, Midwest Management Group, Inc, will provide financial accounting and reporting services that include budget preparation, general ledger maintenance, financial reporting to the board, internal control maintenance, audit assistance and compliance reporting. Total fees paid to Midwest Management Group, Inc. for the year ended June 30, 2022 were $41,250.

Reporting Entity
The accompanying basic financial statements have been prepared in accordance with criteria established by the GASB for determining the various governmental organizations to be included in the reporting entity. These criteria include oversight responsibility, scope of public service, and special financing arrangements. Based on application of the criteria, the entity does not contain component units.

The Academy receives funding from local, state, federal and inter-district government sources and must comply with the accompanying requirements of these funding source entities. However, the Academy is not included in any other governmental "reporting entity" body that has separate legal standing and is fiscally independent of the governmental entities. As such, the Board of Education has decision-making authority to determine its budget, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.

Basic Financial Statements – Government-wide Statements
The Academy's basic financial statements include both government-wide (reporting the Academy as a whole) and fund financial statements (reporting the Academy's major funds). The government-wide financial statements categorize primary activities as either governmental or business type. All of the

Note 1 - Summary of Significant Accounting Policies (continued)

Basic Financial Statements – Government-Wide Statements (continued)
Academy's activities are classified as governmental activities. Fiduciary funds are not included in the government-wide financial statements.

In the Government-Wide Statement of Net Position, the governmental activities column is presented on a consolidated basis and is reported on a full-accrual economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Academy's net assets are reported in three parts: invested in capital assets net of related debt; restricted net assets; and unrestricted net assets. The Academy first utilizes restricted resources to finance qualifying activities.

The Government-Wide Statement of Activities reports both the gross and net cost of each of the Academy's functions. General government revenues (certain intergovernmental revenues, fines, permits and charges, etc.) also support the functions. The Statement of Activities reduces gross expenses by related program revenues, operating grants, and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary grants. The net costs by function are normally covered by general revenue (state and federal sources, interest income, etc.).

The Academy does not allocate indirect costs to the various functions reported. Inter-fund transactions have been eliminated in the government-wide financial statements.

Basic Financial Statements - Fund Financial Statements
The accounts of the Academy are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the combined financial statements in this report, into four generic fund types as follows:

Governmental Funds
Governmental funds are those funds through which most school Academy functions typically are financed. The acquisition, use, and balances of the Academy's expendable financial resources and the related current liabilities are accounted for through the following governmental funds.

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

Special Revenue Funds
Special Revenue Funds are used to segregate the transactions of particular activities from regular revenue and expenditure accounts. The Academy maintains one special revenue fund, School Lunch Fund, and has full control of this fund.

Debt Retirement Funds
Debt Retirement Funds are used to record interest revenue and the payment of general long-term debt principal, interest and related cost. The Academy maintains a debt service fund for the repayment of the certificates of participation issued in 2003.

Capital Projects Funds
Capital Projects Funds are used to record loan proceeds or other revenue and the disbursement of monies specifically designed for acquiring new school sites, buildings, equipment, and for major remodeling and repairs. The fund is retained until the purpose for which the fund was created has been accomplished.

Note 1 - Summary of Significant Accounting Policies (continued)

Basis of Accounting/Measurement Focus
The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Accrual
Governmental activity in the government-wide financial statements is presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual
The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. “Available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the Academy considers revenues to be available if they are generally collected within sixty days of year end, Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt are recognized when due.

Those revenues susceptible to accrual are state aid, interest revenue, grants and charges for services. Other revenue is recorded when received.

The Academy reports unavailable revenue on its governmental funds balance sheet when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. The Academy reports advances from grantors when the Academy receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability is removed from the combined balance sheet and revenue is recognized.

Cash, Cash Equivalents and Investments
Cash and cash equivalents include amounts in demand deposits, sweep accounts, and certificates of deposits with original maturities less than three months. The Academy reports its investments in accordance with Governmental Accounting Standards Board (GASB) Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools and No. 40 Deposits and Investment Risk Disclosures. Under these standards, certain investments are valued at fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Academy intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

State statutes authorize the Academy to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury, certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation (FDIC), Federal Savings and Loan Insurance Corporation (FSLIC), or National Credit Union Administration (NCUA), respectively; and in commercial paper rated at the time of purchase within the three highest classifications established by no less than two standard rating services and which matures not more than 270 days after the date of purchase. The Academy is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers’ acceptances of U.S. banks, mutual funds composed of investments outlined above, and investment pools, as authorized by the surplus funds investment pool act, Act. No. 367 of the Public Acts of 1982, being sections 129.11 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a school Academy.

Note 1 - Summary of Significant Accounting Policies (continued)

Interfund Receivables/Payables
During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” and “due to other funds” on the governmental funds balance sheet.

Prepaid Items
Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Due from Other Governmental Units
Due from other governmental units consists of various amounts owed to the Academy for grant programs and State Aid Payments. The State of Michigan’s funding stream of State Aid payments results in the final two payments for the fiscal year ended June 30, 2022, to be paid in July and August 2022. Of the total amount of $2,052,215 due from other governmental units, $742,383 consists of State Aid and the remaining $1,309,832 is due from other governmental grants.

Capital Assets
Capital assets include land, buildings and additions, and furniture and equipment and are recorded (net of accumulated depreciation and amortization, if applicable) in the government-wide financial statements. Capital assets are those with an individual cost greater than $5,000 and an estimated useful life of more than five years. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and related assets are reported in the government-wide financial statements. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets. Right to use assets of the Academy are amortized using the straight-line method over the shorter of the lease period or the estimated useful lives.

Depreciation on all assets is computed on the straight-line basis over the estimated useful lives as follows:

Buildings and additions	20 – 50 years
Buses and other vehicles	5 – 10 years
Furniture and equipment	5 – 20 years
Right to use-leased equipment	3 years

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.

Deferred Inflows of Resources
A deferred inflow of resources is an acquisition of net position 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.

Accrued Interest on Long-Term Debt
Accrued interest is presented for long-term obligations in the government-wide statements related to interest payable on general obligations.

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. Bond premiums and discounts are recognized as other financing sources or uses when the bonds are issued. Bonds payable are reported net of applicable bond premium or discount.

Note 1 - Summary of Significant Accounting Policies (continued)

Long-term Obligations (continued)

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period.

The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

State Foundation Revenue

Beginning with the fiscal year ended June 30, 1995, the State of Michigan adopted a foundation grant approach, which provides for a specific annual amount of revenue per student based on a state wide formula. Prior to the fiscal year ended June 30, 1995, the state utilized a district power equalizing approach. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to the school districts based on information supplied by the districts. For the year ended June 30, 2022, the student count was computed in 2021-22 with a blended count of 90% of the October 2021 count and 10% of the February 2021 count.

The State portion of the foundation is provided primarily by a State education property tax millage of 6 mills and an allocated portion of State sales and other taxes. The State revenue is recognized during the foundation period (currently the fiscal year) and is funded through nine payments made during the fiscal year and two payments made subsequent to year end. The Academy does not receive property taxes

State Categorical Revenue

The District also receives revenue from the State to administer certain categorical education programs. State rules require that revenue earmarked for these programs can be expended only for its specific purpose. Categorical funds received which are not expended by the close of the fiscal year are recorded as advances from grantors.

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.

Use of Estimates

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

Economic Dependency

The Academy receives approximately 49% of its operating revenue through the foundation allowance from the State of Michigan.

Note 1 - Summary of Significant Accounting Policies (continued)

Leases

The Academy is a lessee for a noncancelable lease of equipment. The Academy recognizes a lease liability and an intangible right-to-use lease asset in the government-wide financial statements. The Academy recognizes lease liabilities with an initial, individual value of $79,000 or more.

At the commencement of a lease, the Academy initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgements related to leases include how the Academy determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Academy uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Academy generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the Academy is reasonably certain to exercise.

The Academy monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Note 2 - Budget and Budgetary Accounting

The State of Michigan adopted a Uniform Budgeting and Accounting Act (Act) applicable to all local governmental entities in the state. The law requires appropriation acts to be adopted for General and Special Revenue Funds and an informational study of Capital Project Funds of school Academies prior to the expenditure of monies in a fiscal year.

The Board of Education adopts appropriations utilizing the modified accrual basis of accounting for all governmental funds. The appropriation level adopted by the Board is the level of control authorized by the Act.

The Act requires expenditures to be budgeted on a functional basis. An Academy is not considered to be in violation of the Act if reasonable procedures are in use by the Academy to detect violations.

The Academy follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Academy's principal submits to the Board of Education a proposed budget by July 1 of each year. The budget includes proposed expenditures and the means of financing them.

2. The principal is authorized to transfer budgeted amounts between functions within any fund with the approval of the Budget and Finance Committee; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Education.

3. Budgets for the General, Capital Projects, and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles.

4. Budgeted amounts are as originally adopted, or as amended by the Board of Education throughout the year.

5. Appropriations lapse at year-end and, therefore, cancel all encumbrances. These appropriations are reestablished at the beginning of the following year.

A comparison of actual results of operations to the budgeted amounts (at the level of control adopted by the Board of Education) for the General Fund is presented as required supplementary information.

Note 2 - Budget and Budgetary Accounting (continued)

Excess of expenditures over appropriations in budgeted funds

During the year, the Academy incurred expenditures in the general fund which were in excess of the amounts appropriated, as follows:

Budget Item		Budget Appropriation		Actual Expenditure		Variance
Welfare Activities	$	26,000	$	27,823	$	1,823
Business Services	$	255,174	$	294,748	$	39,574

Note 3 - Investments

At June 30, 2022, the Academy had the following investments:

Investment Type		Fair Value	Percent of Total	
Pooled U.S. Treasury Obligations				
Capital Projects Fund	$	147,914	12	%
Debt Retirement Fund		1,041,783	88	%
Total	$	1,189,697	100	%

Interest rate risk
Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The Academy's policy provides that to the extent practicable, investments are matched with anticipated cash flows. Investments are diversified to minimize the risk of loss resulting from over-concentration of assets in a specific maturity period, a single issuer, or an individual class of securities and re invested primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools.

Credit risk
Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits this exposure by mandating that the Academy's investments in commercial paper and corporate bonds be limited to those with a prime rating or better issued by nationally recognized statistical rating organizations (NRSROs). At June 30, 2022, the Academy had no direct investments in commercial paper/corporate bonds.

Concentration of credit risk
Concentration of credit risk is the risk of loss attributed to the magnitude of the Academy's investment in a single issuer. Cumulatively, portfolios of the Academy may not be invested in any given financial institution in excess of 5% of such institution's total assets. Additionally, no more than 5% of the total Academy portfolio may be placed with any single financial institution with the exception of repurchase agreements. U.S. government securities and 2a7-like investment pools are excluded from these restrictions.

Custodial credit risk for deposits
Custodial credit risk for deposits is the risk that in the event of a bank failure, the Academy's deposits may not be returned or the Academy will not be able to recover collateral securities, if any, in the possession of an outside party. At June 30, 2022, the Academy had $575,749 of its deposit balances uninsured and uncollateralized.

Note 3 – Investments (continued)

Custodial credit risk for investments

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty, the Academy will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. This risk is minimized by the Academy through limiting investments to those of a prime or better rating and pre-qualifying the financial institutions, brokers/dealers, intermediaries, and advisors.

Foreign currency risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The Academy is not authorized to make investments that would be subject to this type of risk.

Note 4 - Changes in Capital Assets

Summary of capital asset transactions:

	Balance July 1, 2021	Additions	Disposals and Adjustments	Balance June 30, 2022
Assets not being depreciated				
Land	$ 776,137	$ -	$ -	$ 776,137
Construction in Process	-	76,870	-	76,870
Assets being depreciated/amortized				
Right to Use-Equipment	-	127,295	-	127,295
Buildings & Additions	5,458,166	-	-	5,458,166
Equipment & Furniture	1,582,231	-	-	1,582,231
Total	7,816,534	204,165	-	8,020,699
Accumulated Depreciation/Amortization:				
Right to Use-Equipment	-	35,360		35,360
Building & Additions	2,324,453	126,013	-	2,450,466
Equipment & Furniture	1,582,232	-	-	1,582,232
Total	3,906,685	161,373	-	4,068,058
Net capital assets	$ 3,909,849	$ 42,792	$ -	$ 3,952,641

Depreciation expense, when appropriate, was allocated to governmental functions. Depreciation expense that was not allocated appears on the statement of activities as “unallocated.” All of the depreciation was recorded on the statement of activities as “unallocated”.

Note 5 - Long-Term Debt

Participation notes

The Academy’s long-term liabilities consist of a $7,100,000 certificate of participation note bearing interest at rates between 8.0 and 8.125 percent interest per annum and is secured by a mortgage on the Academy’s facilities. The repayment of this obligation comes from a pledge of 20% of the Academy’s State Aid which is deposited with U.S. Bank in trust for the Academy. The obligations for the certificates require semi-annual interest payments on March 1 and September 1. The note matures on August 26, 2030. Principal payments are due September 1, beginning in 2003.

Note 5 - Long-Term Debt (continued)

The Certificates of Participation are payable from the Debt Service Fund which is maintained at U.S. Bank. The debt agreement required $702,812 of participation note proceeds to be set aside and restricted for future interest and principal payments. This required amount is maintained in the debt service fund. As of June 30, 2022, the Debt Service Fund had a balance of $945,720 available to pay this debt.

Future principal and interest requirements for the participation note are as follows:

Year Ended June 30,		Principal		Interest		Total
2023	$	320,000	$	320,125	$	640,125
2024		350,000		292,906		642,906
2025		380,000		263,250		643,250
2026		410,000		231,156		641,156
2027		445,000		196,422		641,422
2028-2031		2,195,000		374,359		2,569,359
Total	$	4,100,000	$	1,678,218	$	5,778,218

Interest expenditures for the year ended June 30, 2022, amounted to $345,109.

Direct Borrowing and Placement Obligations

The Academy has entered into a finance lease obligation for the future usage of office equipment on August 11, 2021. The lease requires monthly payments of $3,730 through August 2025. The Academy has recognized a lease liability totaling $127,295 for this obligation pursuant to GASB 87 using an estimated incremental borrowing rate of 3.5%. The Academy recognized $34,032 in principal paid against this obligation during the year ended June 30, 2022.

Future principal and interest requirements for this direct borrowing and placement obligation are as follows:

Year Ended June 30,		Principal		Interest		Total
2023	$	42,168	$	2,592	$	44,760
2024		43,668		1,092		44,760
2025		7,427		33		7,460
Total	$	93,263	$	3,717	$	96,980

Summary of long-term debt transactions:

		Certificates of Participation		Finance Lease Obligation		Total
Balance July 1, 2021	$	4,395,000	$	-	$	4,395,000
Additions		-		127,295		127,295
Less: Payments		(295,000)		(34,032)		(329,032)
Balance June 30, 2022		4,100,000		93,263		4,193,263
Less: Current Portion		(320,000)		(42,168)		(362,168)
Total Due After One Year	$	3,780,000	$	51,095	$	3,831,095

Note 6 – Interfund Transactions

The composition of interfund balances is as follows:

		Due From Other Funds		Due To Other Funds
General Fund	$	96,063	$	365,302
Debt Retirement Fund		-		96,063
School Lunch Fund		365,302		-
Total	$	461,365	$	461,365

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transaction are recorded in the accounting system, and payments between funds are made.

The Academy made the following interfund transfers during the year:

		Transfers To Other Funds		Transfers From Other Funds
General Fund	$	675,505	$	-
Debt Retirement Fund		-		642,505
Capital Projects Fund		-		33,000
Total	$	675,505	$	675,505

The transfers were for the purpose of funding the lunch program, capital projects and required debt service of the Academy.

Note 7 - Fund Balance

Non-spendable, Restricted, Committed, Assigned and Unassigned
The Board of Education adopts a budget each year that includes the appropriation of fund balance. Non-spendable fund balance represents assets that are not available in spendable form and are not expected to be converted to cash. The Academy had $5,000 in non-spendable assets at June 30, 2022.

Restricted fund balance are reported separately to show legal constraints from debt covenants and legislation that limits the Academy's ability to use this fund balance for day-to-day operations.

Restricted:

Capital Projects	$	147,914
Debt Service		945,720
School Lunch		375,612
Total Restricted	$	1,469,246

Committed fund balance represents constrained amounts imposed by school board resolution. The Academy had no amounts committed at June 30, 2022.

Assigned fund balance represents amounts intended to be used for specific purposes expressed by the Board of Education, Finance Committee, or the official authorized by the governing body. Residual amounts in governmental funds other than the General Fund are also assigned. The Academy had no amounts assigned at June 30, 2022.

Unassigned fund balance is reported only in the General Fund and represents the remaining fund balance after non-spendable, restrictions, and assignments have been made.

The Academy applies restricted resources first for applicable expenditures. Assigned fund equity is applied when expenditures are incurred for the assigned purpose, followed by unassigned fund equity for budgeted expenditures.

Note 8 - Contingencies and Commitments

The Academy has received federal and state grants for specific purposes. These grants are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowance under terms of the grants, management believes that any required reimbursements would not be material.

Note 9 – Risk Management

The Academy is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation) as well as medical benefits provided to employees. The Academy purchases commercial insurance coverage to cover potential claims, and management believes this coverage is sufficient to protect the Academy from any significant adverse financial impact.

Note 10 – State Aid Anticipation Loan

The Academy was issued a State Aid Anticipation Loan through Michigan Finance Authority in the amount of $366,000 on September 2, 2021. This loan has an interest rate of 3.3% and matures on August 22, 2022. Eleven monthly payments in the amount of $33,874, beginning October 20, 2021 are required, with the final payment due on August 22, 2022. At June 30, 2022, there was a balance due of $65,742, plus accrued interest of $2,006.

The Academy was issued a State Aid Anticipation Loan through the Michigan Finance Authority in the amount of $600,000 on September 1, 2022. This loan has an interest rate of 5.4% and matures on August 21, 2023. Eleven monthly payments in the amount of $56,160, beginning October 20, 2022 are required, with the final payment due on August 21, 2023.

Note 11 – Defined Benefit Pension Plan

Plan Description

The Michigan Public School Employees' Retirement System (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 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 plan members are eligible to receive a monthly benefit when they meet

Note 11 – Defined Benefit Pension Plan (continued)

certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

A DB member or Pension Plus plan member who leaves Michigan public school employment may request a refund of his or her member contributions to the retirement system account. 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 and Funded Status

The Districts 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. For retirement and OPEB benefits, the unfunded (overfunded) actuarial accrued liability as of the September 30, 2020 valuation will be amortized over an 18 year period beginning October 1, 2020 and ending September 30, 2038.

The schedule below summarizes pension contribution rates in effect for fiscal 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 $46,979 for the year ended 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 $370,428 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 30, 2020. The Academy’s proportionate share of the net pension liability was determined by dividing each district’s statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable districts during the measurement period. At September 30, 2021, the Academy's proportion was .001 percent, which was an increase of .00012 percent from its proportion measured at September 30, 2020.

Note 11 – Defined Benefit Pension Plan (continued)

For the year ended June 30, 2022, the Academy recognized total pension expense of $101,299. 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
Differences between expected and actual experience	$	5,738	$	2,181
Changes of assumptions		23,350		-
Net difference between projected and actual earnings on pension plan investments		-		119,091
Changes in proportion and differences between Academy contributions and proportionate share of contributions		48,326		1,307
Academy contributions subsequent to the measurement date*		44,305		-
Total	**$**	**121,719**	**$**	**122,569**

Contributions subsequent to the measurement date reported as deferred outflows of resources related to pensions resulting from Academy 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:

Deferred (Inflows) and Deferred Outflows of Resources by Year (to Be Recognized in Future Pension Expenses)

Year Ending June 30,	Amount:
2022	$13,824
2023	($9,599)
2024	($20,723)
2025	($28,667)

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.

Note 11 – Defined Benefit Pension Plan (continued)

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

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 (Non-Hybrid):	6.80%, net of investment expenses
- Pension Plus Plan (Hybrid):	6.80%, net of investment expenses
- Pension Plus 2:	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 Combined Healthy Life Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006. Active Members: P-2014 Male and Female Employee Annuitant Mortality Tables, scaled to 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Notes:

- 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 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, 2019, 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 in years: 4.4367
- Recognition period for assets in years is 5.0000
- Full actuarial assumptions are available in the 2021 MPSERS Comprehensive Annual Financial Report found in the ORS website at www.michigan.gov/orsschools.

Note 11 – Defined Benefit Pension Plan (continued)

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 Return*
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)
TOTAL	100.0 %	

**Long term rate of return are net of administrative expenses and 2.0% inflation*

Rate of Return

For the fiscal 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 plan 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% 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.

Note 11 – Defined Benefit Pension Plan (continued)

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 a 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-point higher:

1% Decrease 5.80% / 5.80%/5.0%	Current Single Discount Rate Assumption 6.80% / 6.80%/6.0%	1% Increase 7.80% / 7.80%/7.0%
$529,611	$370,428	$238,454

Michigan Public Schools Employees Retirement System (MPSERS) Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS CAFR, available on the ORS website at www/Michigan.gov/orsschools.

Note 12 – Postemployment Benefits Other Than Pensions (OPEB)

Plan Description

The Michigan Public School Employees' Retirement System (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, and 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 the 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 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 the statute. To limit future liabilities of Other Postemployment Benefits, members who first worked on or after July 1, 2018 (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.

Note 12 – Postemployment Benefits Other Than Pensions (OPEB) (continued)

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

Public School Academies and Districts 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 October 1, 2020 and ending September 30, 2038.

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

OPEB Contribution Rates

Benefit Structure	Member	Employer
Premium Subsidy	3.00 %	8.43 %
Personal Healthcare Fund (PHF)	0.00 %	7.57 %

Required contributions to the OPEB plan from the Academy were $12,290 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 $25,271 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 30, 2020. The Academy's proportion share of the net OPEB liability was determined by dividing each district's/academy's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable districts/academies during the measurement period. At September 30, 2021, the Academy's proportion was .00166 percent, which was an increase of .000024 percent from its proportion measured as of October 1, 2020.

Note 12 – Postemployment Benefits Other Than Pensions (OPEB) (continued)

For the year ended June 30, 2022, the Academy recognized total OPEB expense of $(2,886). 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
Differences between expected and actual experience	$	-	$	72,134
Changes of assumptions		21,125		3,161
Net difference between projected and actual earnings on OPEB plan investments		-		19,047
Changes in proportion and differences between Academy contributions and proportionate share of contributions		29,154		1,351
Academy contributions subsequent to the measurement date		7,949		-
Total	**$**	**58,228**	**$**	**95,693**

Contributions subsequent to the measurement date reported as deferred outflows of resources related to OPEB resulting from Academy contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Deferred (Inflows) and Deferred Outflows of Resources by Year (to Be Recognized in Future Pension Expenses)

Year Ending June 30,	Amount:
2022	($7,875)
2023	($9,609)
2024	($13,167)
2025	($12,201)
2026	($2,259)
Thereafter	($303)

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.

Note 12 – Postemployment Benefits Other Than Pensions (OPEB) (continued)

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Actuarial Assumptions

Valuation Date	September 30, 2020
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return	6.95%
Projected Salary Increases:	2.75 – 11.55%, including wage inflation at 2.75%
Healthcare Cost Trend Rate:	Pre-65: 7.5% Year 1 graded to 3.5% Year 15; 3% 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 members: RP-2014 Male and Female Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Other Assumptions:

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

Notes:

- 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 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 in years: 6.1312
- Recognition period for assets in years is 5.0000
- Full actuarial assumptions are available in the 2021 MPSERS Comprehensive Annual Financial Report found in the ORS website at www.michigan.gov/orsschools.

Note 12 – Postemployment Benefits Other Than Pensions (OPEB) (continued)

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 Return***
Domestic Equity Pools	25.0 %	5.4 %
% Alternative Investment 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)
TOTAL	100.0 %	

**Long-term rate of returns are net of administrative expenses and 2.0% inflation*.

Rate of Return

For the fiscal 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 a 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 point higher:

1% Decrease 5.95%	**Current Single Discount Rate 6.95%**	**1% Increase 7.95%**
$46,958	$25,271	$6,866

Note 12 – Postemployment Benefits Other Than Pensions (OPEB) (continued)

Sensitivity of the District's Proportionate Share of the 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
$6,151	$25,271	$46,783

OPEB Plan Fiduciary Net Position

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

Note 13 – Subsequent Events

Management has reviewed subsequent events through February 7, 2023, which is the date the financial statements were available to be issued.

The Academy was issued a State Aid Anticipation Loan through the Michigan Finance Authority in the amount of $600,000 on September 1, 2022. This loan has an interest rate of 5.4% and matures on August 21, 2023. Eleven monthly payments in the amount of $56,160, beginning October 20, 2022 are required, with the final payment due on August 21, 2023.

Note 14 – Upcoming Accounting Pronouncements

In May 2020, the GASB issued Statement No. 96, Subscription-based Information Technology Arrangements. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. The Academy is currently evaluating the impact this standard will have on the financial statements when adopted during the 2022-2023 fiscal year.

Note 15 – Change in Accounting Principle

For the year ended June 30, 2022, the Academy implemented the following new pronouncement: GASB Statement No. 87, *Leases*.

Summary:

Governmental Accounting Standards Board (GASB) Statement No. 87, Leases, was issued by the GASB in June 2017. The objective of this Statement is to increase the usefulness of governments' 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 the underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

There was no material impact on the Academy's financial statement after the adoption of GASB Statement 87.

REQUIRED SUPPLEMENTAL INFORMATION

GEORGE WASHINGTON CARVER ACADEMY
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2022

	Budget			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues:				
Local Sources	$ 15	$ 15	$ 65,886	$ 65,871
State Sources	5,185,223	4,566,254	4,403,801	(162,453)
Federal Sources	1,740,689	2,393,448	2,276,269	(117,179)
Total Revenues	6,925,927	6,959,717	6,745,956	(213,761)
Expenditures:				
Education:				
Instruction:				
Basic Programs	2,223,501	2,068,257	1,995,306	72,951
Added Needs	772,164	1,132,108	960,456	171,652
Supporting Services:				
Pupil Services	281,683	285,321	230,712	54,609
Instructional Staff	573,923	542,605	515,961	26,644
General Administration	286,721	302,278	244,314	57,964
School Administration	572,783	648,185	624,261	23,924
Business Services	255,173	255,174	294,748	(39,574)
Operations & Maintenance	714,953	805,297	784,401	20,896
Transportation	287,527	299,079	243,026	56,053
Support Services	305,363	390,494	299,750	90,744
Other Services	25,035	30,035	1,952	28,083
Community Services	180,993	195,031	192,905	2,126
Welfare Activities	22,000	26,000	27,823	(1,823)
Total Expenditures	6,501,819	6,979,864	6,415,615	564,249
Excess (Deficiency) of Revenues Over Expenditures	424,108	(20,147)	330,341	350,488
Other Financing Sources/(Uses):				
Debt Service	-	(37,438)	(37,439)	(1)
Lease Proceeds	-	-	127,295	127,295
Operating Transfers	(673,109)	(673,109)	(675,505)	(2,396)
Total Other Financing Sources/(Uses)	(673,109)	(710,547)	(585,649)	124,898
Net Change in Fund Balances	(249,001)	(730,694)	(255,308)	475,386
Fund Balance - July 1	1,169,302	1,169,302	1,169,302	-
Fund Balance - June 30	$ 920,301	$ 438,608	$ 913,994	$ 475,386

See accompanying notes to basic financial statements.

**Schedule of Academy's Proportionate Share of the Net Pension Liability
Determined As of 9/30 of Each Fiscal Year**

	2021	2020	2019	2018
District's proportion of net pension liability (%)	0.00156%	0.00144%	0.00144%	0.00133%
District's proportionate share of net pension liability	$ 370,428	$ 495,051	$ 476,005	$ 399,939
District's covered-employee payroll	$ 145,793	$ 123,600	$ 123,900	$ 120,000
District's proportionate share of net pension liability as a percentage of its covered-employee payroll	254.08%	400.53%	384.18%	333.28%
Plan fiduciary net position as a percentage of total pension liability	72.60%	59.72%	60.31%	62.36%

**Schedule of the Academy's Contributions
Determined as of 6/30 of Each Fiscal Year**

	2022	2021	2020	2019
Statutorily required contributions	$ 46,979	$ 42,987	$ 39,246	$ 38,021
Contributions in relation to statutorily required contributions	$ 46,979	$ 42,987	$ 39,246	$ 38,021
Contribution deficiency/(excess)	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 145,793	$ 123,600	$ 123,600	$ 123,000
Contributions as a percentage of covered-employee payroll	32.22%	34.78%	31.75%	30.91%

Notes

See Note 11 to the financial statements for discussion of benefit terms and assumptions.

There were no changes of benefit terms in FY 2021.

There were no changes of benefit assumptions in FY 2021.

Schedule of Academy's Proportionate Share of the Net OPEB Liability
Determined As of 9/30 of Each Fiscal Year

	2021	2020	2019	2018
District's proportion of net OPEB liability (%)	0.00166%	0.00142%	0.00143%	0.00142%
District's proportionate share of net OPEB liability	$ 25,271	$ 75,821	$ 102,714	$ 112,714
District's covered-employee payroll	$ 145,793	$ 123,600	$ 123,900	$ 120,000
District's proportionate share of net OPEB liability as a percentage of its covered-employee payroll	17.33%	61.34%	82.90%	93.93%
Plan fiduciary net position as a percentage of total OPEB liability	87.33%	59.44%	48.46%	42.95%

Schedule of the Academy's Contributions
Determined as of 6/30 of Each Fiscal Year

	2022	2021	2020	2019
Statutorily required OPEB contributions	$ 12,290	$ 9,999	$ 9,950	$ 9,754
OPEB Contributions in relation to statutorily required contributions	$ 12,290	$ 9,999	$ 9,950	$ 9,754
Contribution deficiency/(excess)	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 145,793	$ 123,600	$ 123,900	$ 123,000
OPEB Contributions as a percentage of covered-employee payroll	8.43%	8.09%	8.03%	7.93%

Notes

See Note 12 to the financial statements for discussion of benefit terms and assumptions.

There were no changes to benefit terms in FY 2021.

The assumption changes for 2021 were:
Healthcare cost trend rate was broken into two groups, Pre 65 and Post 65. The Pre 65 rate is 7.75% Year 1 graded to 3.50% Year 15. The Post 65 rate is 5.25% Year 1 graded to 3.50% Year 15. The prior healthcare cost trend rate was reported as one group with a rate of 7.00% Year 1 graded to 3.50% Year 15.

GEORGE WASHINGTON CARVER ACADEMY
OTHER SUPPLEMENTAL INFORMATION
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2022

	Capital Projects Fund	Special Revenue Fund School Lunch Fund	Non-Major Governmental Funds Total
Assets			
Cash, cash equivalents and investments	$ 147,914	$ -	$ 147,914
Due from other funds	-	365,302	365,302
Due from other governmental units	-	15,937	15,937
Total assets	$ 147,914	$ 381,239	$ 529,153
Liabilities			
Accounts payable	$ -	$ 787	$ 787
Accrued wages	-	4,840	4,840
Total liabilities	-	5,627	5,627
Fund balances			
Restricted	147,914	375,612	523,526
Total fund balance	147,914	375,612	523,526
Total liabilities and fund balance	$ 147,914	$ 381,239	$ 529,153

GEORGE WASHINGTON CARVER ACADEMY
OTHER SUPPLEMENTAL INFORMATION
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	Capital Projects Fund	Special Revenue Fund School Lunch Fund	Non-major Governmental Funds Total
Revenues			
Local Sources	$ 27	$ -	$ 27
State Sources	-	(58)	(58)
Federal Sources	-	405,347	405,347
Total Revenues	27	405,289	405,316
Expenditures			
Purchased Services	-	221,785	221,785
Supplies and Materials	-	44,620	44,620
Total Expenditures	-	266,405	266,405
Excess of Revenues Over/(Under) Expenditures	27	138,884	138,911
Other Financing Sources/(uses)			
Operating transfers in/(out)	33,000	-	33,000
Total Other Financing Sources/(Uses)	33,000	-	33,000
Excess of Revenues Over/(Under) Expenditures and Other Financing Sources/(Uses)	33,027	138,884	171,911
Fund Balance - July 1	114,887	236,728	351,615
Fund Balance - June 30	$ 147,914	$ 375,612	$ 523,526

UNIFORM GUIDANCE INFORMATION

Taylor & Morgan | CPAs and BUSINESS ADVISORS

INDEPENDENT AUDITORS' 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*

Board of Education
George Washington Carver Academy
Highland Park, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of George Washington Carver Academy as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise George Washington Carver Academy's basic financial statements, and have issued our report thereon dated February 7, 2023.

Report on Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2022-001 to be a material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2022-002 to be a significant deficiency.

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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the George Washington Carver 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 one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and is described in the accompanying schedule of findings and questioned costs as item 2022-003.

George Washington Carver Academy's Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on George Washington Carver Academy's responses to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. George Washington Carver Academy's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses

Purpose of this Report

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

Taylor & Morgan, P.C.

TAYLOR & MORGAN, P.C.
Certified Public Accountants

Flint, MI
February 7, 2023

I.NDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

February 7, 2023

Board of Education
George Washington Carver Academy
Highland Park, MI

Report on Compliance for Major Federal Program

Opinion on Major Federal Program

We have audited George Washington Carver Academy's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on George Washington Carver Academy's major federal program for the year ended June 30, 2022. George Washington Carver Academy major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, George Washington Carver Academy complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of George Washington Carver Academy and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of George Washington Carver Academy's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to George Washington Carver Academy's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on George Washington Carver Academy's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about George Washington Carver Academy's compliance with the requirements of its major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 George Washington Carver Academy's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of George Washington Carver Academy's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of George Washington Carver Academy's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2022-004. Our opinion on the major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on George Washington Carver Academy's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. George Washington Carver Academy's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be a significant deficiency.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-04 to be a significant deficiency

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Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on George Washington Carver Academy's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. George Washington Carver Academy's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Taylor & Morgan, P.C.

TAYLOR & MORGAN, P.C.
Certified Public Accountants

Flint, MI

GEORGE WASHINGTON CARVER ACADEMY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

Program Title	Federal ALN Number	Approved Award Amount	(Memo Only) Prior-Year Expenditures	Accrued (Deferred) Revenue, July 1, 2021	Adjustments and Transfers	Current Year Expenditures	Current Year Receipts	Accrued (Deferred) Revenue, June 30, 2022
U.S. DEPARTMENT OF EDUCATION								
Passed through M.D.E.								
Title I								
201530 19-20	84.010	$ 538,147	$ 491,100	$ (9,110)	$ 9,110	$ -	$ -	$ -
211530 20-21	84.010	510,771	460,051	87,290	-	12,522	99,812	-
221530 21-22	84.010	514,311	-	-	-	464,992	369,916	95,076
		1,563,229	951,151	78,180	9,110	477,514	469,728	95,076
Title IIA Improving Teacher Quality								
210520 20-21	84.367	43,532	30,687	1,083	-	3,500	4,583	-
220520 21-22	84.367	47,260	-	-	-	40,308	26,991	13,317
		90,792	30,687	1,083	-	43,808	31,574	13,317
Title IV Student Support & Academic Enrichment								
210751 20-21	84.424	40,550	35,269	7,932	-	-	7,932	-
220750 21-22	84.424	25,060	-	-	-	22,000	22,000	-
		65,610	35,269	7,932	-	22,000	29,932	-
Education Stabilization Fund								
Relief (GEER)-COVID 19 220750-2122	84.425C	15,000	-	-	-	11,000	11,000	-
American Rescue Plan (ARP) ESSER III - COVID 19 213713-2122	84.425U	1,116,416	-	-	-	983,014	-	983,014
ESSER II Summer Programming-COVID 19 213722-2122	84.425D	121,322	-	-	-	120,394	120,394	-
ESSER Formula Funds-COVID 19 203710-1920	84.425D	434,621	439,248	270,517	-	-	270,517	-
ESSER II Formula Funds-COVID 19 213712-20-21	84.425D	1,049,747	-	-	-	855,218	860,276	(5,058)
		2,737,106	439,248	270,517	-	1,969,626	1,262,187	977,956
Total Passed through M.D.E.		4,456,737	1,456,355	357,712	9,110	2,512,948	1,793,421	1,086,349
Passed through Intermediate School District								
Special Education								
IDEA Flow through 200450 20-21	84.027	106,944	106,944	106,944	-	-	106,944	-
IDEA Flow through 200450 21-22	84.027	117,700	-	-	-	116,373	-	116,373
		224,644	106,944	106,944	-	116,373	106,944	116,373
Total Passed through Intermediate School District		224,644	106,944	106,944	-	116,373	106,944	232,746
TOTAL U.S. DEPARTMENT OF EDUCATION		**4,681,381**	**1,563,299**	**464,656**	**9,110**	**2,629,321**	**1,900,365**	**1,319,095**
U.S. DEPARTMENT OF AGRICULTURE								
Passed through M.D.E.								
National School Lunch - cash assistance								
Pandemic EBT Local Level Costs- COVID 19	10.649	614	-	-	-	614	614	-
National School Lunch-SFSP COVID 19 221961 21-22	10.555	253,887	-	-	-	253,887	242,904	10,983
National School Lunch-SFSP Extended COVID 19 210904 21-22	10.559	42,231	-	-	-	42,231	41,132	1,099
National School Lunch-Breakfast COVID 19 211917 21-22	10.553	107,482	-	-	-	107,482	103,628	3,854
Fresh Fruit and Vegetable Program 210950 21-22	10.582	3,136	-	-	-	242	242	-
		407,350	-	-	-	404,456	388,520	15,936
Non-cash assistance (commodities)								
National School Lunch-Entitlement	10.555	1,504	-	-	-	1,504	1,504	-
TOTAL U.S. DEPARTMENT OF AGRICULTURE		**408,854**	**-**	**-**	**-**	**405,960**	**390,024**	**15,936**
U.S. DEPARTMENT OF TREASURY								
Passed through Michigan State Aid								
Coronavirus Relief Funds								
COVID-19 Coronavirus Relief Funds 11p	21.019	179,344	158,328	(21,016)	-	-	-	(21,016)
COVID-19 District COVID-19 Costs 103(2)	21.019	6,313	969	(5,344)	-	-	-	(5,344)
		185,657	159,297	(26,360)	-	-	-	(26,360)
TOTAL U.S. DEPARTMENT OF TREASURY		**185,657**	**159,297**	**(26,360)**	**-**	**-**	**-**	**(26,360)**
Total all Federal Agencies		**$ 5,275,892**	**$ 1,722,596**	**$ 438,296**	**$ 9,110**	**$ 3,035,281**	**$ 2,290,389**	**$ 1,308,671**

See notes to schedule of expenditures of federal awards.

FEDERAL REVENUE RECOGNIZED PER SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	$ 3,035,281
FEDERAL REVENUE RECOGNIZED PER THE GENERAL PURPOSE FINANCIAL STATEMENTS	
General Fund	2,276,269
School Lunch Fund	405,347
Total Federal Revenue Recognized	2,681,616
Add: Federal revenue not recognized in current year because it was unavailable at year end	720,490
Less: Federal revenue recognized in the current year because it was unavailable in the prior year	(366,825)
TOTAL	$ 3,035,281

1) The Schedule of Expenditures of Federal Awards has been prepared under the modified accrual basis of accounting.

2) Management has utilized the Grant Auditor's Report in preparing the Schedule of Expenditures of Federal Awards. All differences between the Schedule of Expenditures of Federal Awards and the Grant Auditor's Report have been reconciled in the attached reconciliation on Page 46 of this report.

3) The Academy has elected to not use the 10% de minimis indirect cost rate.

4) Transfers and adjustments include repayment of $9,110 in unspent Title I grant monies that were unspent as of 6-30-2021.

5) ESSER II Formula Funds report $5,058 in the deferred revenue column. This amount represents ESSER II Formula Funds that were requested in excess of current year expenditures.

RECONCILIATION OF THE GRANT AUDITOR'S REPORT TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

Current Payments Per the Grant Auditor's Report	$	2,181,941
Add: Grants Passed Through Intermediate School District		
Special Education-Grants to States (CFDA 84.027)		106,944
Entitlement Commodities (CFDA 10.550)		1,504
TOTAL CURRENT YEAR RECEIPTS PER SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	$	2,290,389

GEORGE WASHINGTON CARVER ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: *Unmodified*

Internal control over financial reporting:

Material weakness(es) identified?	*Yes*
Significant deficiency(ies) identified that are not considered to be material weaknesses?	*Yes*
Noncompliance material to financial statements noted?	*Yes*

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	*No*
Significant deficiency(ies) identified that are not considered to be material weaknesses?	*Yes*
Audit findings required to be reported in accordance with Uniform Guidance	*Yes*

Type of auditor's report issued on compliance for major programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of the Uniform Guidance? *Yes*

Identification of major programs:

Federal ALN(s)	Name of Federal Program or Cluster
84.425C	Governor's Emergency Education Relief Fund
84.425D	ESSER
84.425U	American Rescue Plan (ARP) ESSER

Dollar threshold used to distinguish between Type A and Type B programs: *$750,000*

Auditee qualified as low-risk auditee? *No*

Section II – Financial Statement Findings

2022-001 Material Audit Adjustments-(repeat finding)

Finding Type:
Material Weakness in Internal Control Over Financial Reporting

Criteria:
Strong accounting policies and procedures include monthly and annual "closing" procedures related to reconciling accounting records to supporting documentation and ensuring that general ledger amounts are accurate and complete and recorded in accordance with generally accepted accounting principles.

Condition:
Initial general ledger records provided by the management company were not reconciled, complete or accurate in several areas. Trail balance amounts were not accurate, general ledger cash balances were not reconciled to the bank, and grant reimbursements in excess of expenditures had been requested. After some corrections were made by the client, material audit adjustments were required to accurately report due from other governments, grants revenues, grant expenditures, and unavailable\deferred revenues in accordance with generally accepted accounting principles (GAAP).

Cause:
There was a mid-year change in management companies causing additional time on the part of the new management company to review the previous management company's accounting transactions and reconciliations as well as complete their own reconciliations.

Effect:
Material adjustments were posted to the general ledger as part of the audit to ensure financial statements were presented in accordance with GAAP in all material respects.

Recommendation:
Additional monthly and annual "closing" procedures should be implemented to include reconciliation of accounts to supporting documentation and subsidiary ledgers on a timely basis, review of the general ledger balances, and the posting of adjustments to ensure accurate and complete financial records.

View of Responsible Officials:
George Washington Carver Academy after the wrap up of the 2021-2022 audit will be conducting a procedure set up to ensure the month end closing and the year end closing process is in place, so both the Superintendent and the finance company have oversight of proper closure of month end and year end processes. Along with adding weekly reporting with the Superintendent to ensure that the Ledgers are kept up to date and accurate.

Section II – Financial Statement Findings

2022-002 Lack of Segregation of Duties

Finding Type:
Significant Deficiency in Internal Control Over Financial Reporting

Criteria:
No individual should be in a position which controls both the cash of the Academy and the records pertaining to cash held by the Academy. In such a structure, there is an inherent lack of segregation of duties and errors could occur and not be detected. Also, a proper segregation of duties diminishes the risk of misappropriation of Academy cash. In general, the principal incompatible duties to be segregated are:

- The custody of cash
- The authorization or approval of related transactions affecting cash
- The recording or reporting of related cash transactions

Condition:
One individual from the management company is responsible for maintaining blank check stock, printing checks, signing checks via a signature stamp, posting adjustments to the general ledger, and preparing the bank reconciliation. While the management company has implemented mitigation controls to prevent errors, the lack of segregation of duties still exists due to the combined duties of one individual.

Cause:
An inherent lack of segregation of duties exists as one individual has control over both cash (the ability to write and sign checks) and the records pertaining to cash (the bank reconciliation process and the general ledger).

Effect:
When an inherent lack of segregation of duties exists in the cash disbursement process, errors could occur in cash transactions and balances and not be detected.

Recommendation:
The individual preparing the checks should not have custody of the signature stamps. The signature stamps should be secured, controlled, and used to sign the checks by the superintendent to provide a segregation of duties.

View of Responsible Officials:
George Washington Carver Academy will add separation of duties in the check writing processes. The checks will be written by the finance company and delivered to the school where the Superintendent, with the approval of the board, will be the individual to sign the checks.

Section II – Financial Statement Findings

2022-003 Audit Filing Compliance Requirements

Finding Type:
Material Noncompliance

Criteria:
The Academy is required to file its June 30, 2022 audited financial statements and Uniform Guidance compliance audit with the Michigan Department of Education by November 1, 2022.

Condition:
The Academy was unable to meet the State filing requirements.

Cause:
Due to the accounting deficiencies more fully described in Finding 2022-001, the Academy was unable to meet the filing requirement.

Effect:
Since the Academy was unable to file their audit report timely, the State of Michigan has withheld state aid payments normally made on a monthly basis for the months subsequent to October 2022 and to the date of this audit report.

Recommendation:
Annual "closing" procedures should be implemented to include reconciliation of accounts to supporting documentation and subsidiary ledgers on a timely basis, review of the general ledger balances, and the posting of adjustments to ensure accurate and complete financial records. Sufficient accounting personnel should be dedicated to the process to ensure that accurate financial records are completed in a time frame that would allow the audit to be completed by November 1.

View of Responsible Officials:
George Washington Carver Academy will implement weekly reconciliation of accounts to ensure that the month end and year end closing process is kept up to date and accurate. The finance company has added another individual to the account to ensure the proper appropriation of expenses to the correct lines, ensuring the general ledger is accurate.

Section III – Federal Award Findings and Questioned Costs

Finding 2022-004 ESSER Expenditures Compliance with Budget

Finding Type:
Compliance Finding/Significant Deficiency in Internal Control Over Compliance of a Major Program.

Criteria:
Expenditures charged to the ESSER grants should be consistent with and stay within the expenditures budget submitted to and approved by the State of Michigan.

Condition:
Expenditures for the purchase of books ($6,422) which could not be traced to the state approved ESSER II budget, and transportation service in excess of the state approved budget in ESSER II ($8,568) were charged to the ESSER II grant during the year ended June 30, 2022.

Cause:
Expenditures are being requested and charged to ESSER grant programs in the general ledger without verification that the expenditures are in accordance with the state approved budgeted activities and amounts.

Effect:
Expenditures of $14,990 were charged to the ESSER II grant while it appears that they were not included in the most recently amended state approved ESSER II budget, or exceeded the approved budgeted amount.

Recommendation:
The Academy should verify that proposed ESSER grant expenditures relate to an allowable activity and\or available budget exists in the State approved ESSER budgets before charging such expenditures to the grant.

View of Responsible Officials:
George Washington Carver Academy and the finance company have added procedures that all items posted to federal grants are reviewed by two people to ensure that the expenses is allowable to federal grants, along with appropriations left in the grant and from the finance company along with the Superintendent to ensure the proper posting of expenditures in accordance to the grant application.

Questioned Costs:
$14,990

2021-001 Material Audit Adjustments

Material adjustments were posted to federal grant revenues as part of the audit to ensure the 2020-2021 financial statements were presented in accordance with GAAP in all material respects. There were also material audit adjustments posted to the general ledger to adhere to GAAP during the 2021-22 audit process. Please see repeat finding 2022-001.

2021-002 Title I Reporting

The Academy was not in compliance with the reporting criteria of the Title I Program for the 2020-2021 school year and had requested grant reimbursements in excess of expenditures in the amount of $9,110. This excess request has been returned to the State of Michigan. As a result, we consider tis finding to be resolved.

Corrective Action Plan
2021-2022 Audit

George Washington Carver Academy respectfully submits the following corrective action plan for the year ended June 30, 2022.

Name and address of independent public accounting firm:
Taylor & Morgan, P.C.
G-2302 Stonebridge Drive, Bldg. D
Flint, MI 48532

Audit Period: June 30, 2022

The findings from the June 30, 2022, schedule of findings and questioned costs are discussed below. The finding is numbered consistently with the number assigned in the schedule.

Financial Statement Findings

2022-001 Material Audit Adjustment

Recommendation: Additional monthly and annual "closing" procedures should be implemented to include reconciliation of accounts to supporting documentation and subsidiary ledges on a timely basis, review of the general ledger balance, and posting of adjustments to ensure accurate and complete financial reporting.
Action: George Washington Carver Academy after the wrap up of the 2021-2022 audit will be conducting a procedure set up to ensure the month end closing and the year end closing process is in place, so both the Superintendent and the finance company have oversight of proper closure of month end and year end processes. Along with adding weekly reporting with the Superintendent to ensure that the Ledgers are kept up to date and accurate.

2022-002 Lack of Segregation of Duties

Recommendation: The individual preparing the checks should not have custody of the signature stamps. The signature stamps should be secured, controlled, and used to sign the checks by the superintendent to provide segregation of duties.
Action: George Washington Carver Academy will add separation of duties in the check writing processes. The checks will be written by the finance company and delivered to the school where the Superintendent, with the approval of the board, will be the individual to sign the checks.

2022-003 Audit Filing Compliance Requirements

Recommendation: Annual “closing” procedures should be implemented to include reconciliation of accounts to supporting documentation and subsidiary ledges on a timely basis, review of the general ledger balance, and posting of adjustments to ensure accurate and complete financial reporting. Sufficient accounting personnel should be dedicated to the process to ensure the accurate financial records are complete in a time frame that would allow the audit to be complete by November 1.
Action: George Washington Carver Academy will implement weekly reconciliation of accounts to ensure that the month end and year end closing process is kept up to date and accurate. The finance company has added another individual to the account to ensure the proper appropriation of expenses to the correct lines, ensuring the general ledger is accurate.

2022-004 Esser Expenditures Compliance with Budget

Recommendation: The Academy should verify that proposed ESSER grant expenditures relate to an allowable activity and/or available budget exists in the state approved ESSER budget before charging such expenditures to the grant.
Action: George Washington Carver Academy and the finance company have added procedures that all items posted to federal grants are reviewed by two people to ensure that the expenses is allowable to federal grants, along with appropriations left in the grant and from the finance company along with the Superintendent to ensure the proper posting of expenditures in accordance to the grant application.

If the Federal Audit Clearinghouse has questions regarding this plan, please contact Kirby Doidge at (248) 313-2000.

Sincerely,

Kirby Doidge

Kirby Doidge
Business Manager

February 7, 2023

Board of Education
George Washington Carver Academy
Highland Park, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of George Washington Carver Academy for the year ended June 30, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 12, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by George Washington Carver Academy are described in Note 1 to the financial statements. As described in Note 15 to the financial statements, the George Washington Carver Academy changed accounting policies related to leases by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 87, Leases, in the year ended June 30, 2022.

We noted no transactions entered into by George Washington Carver Academy during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Those significant estimates are:

> Estimates have been used to calculate the net pension liability and the net other postemployment benefit liability and the related deferred inflows and outflows of resources. We evaluated the key factors and assumptions used to develop the balance of the net pension liability and net other postemployment benefit liability and the related deferred inflows and outflows of resources in determining that they are reasonable in relation to the financial statements taken as a whole.
>
> Management's determination of the estimated life span of the capital assets. We evaluated the key factors and assumptions used by management to develop the estimated life span of the capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.
>
> Estimates were made by management to calculate the net present value of the "right to use" asset and related lease liability at July 1, 2021 to record on the financial statement for the implementation of Governmental Accounting Standards Board Statement No, 87 Leases. We evaluated the key factors and assumptions used to compute the net present values established in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

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Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Our audit procedures included material audit adjustments of $341,504 to Due from Other Governmental Units, $363,830 to Unavailable Revenue General Fund and $36,852 to Accounts Payable in the Food Service Fund. Without these adjustments, the financial statements would have been materially misstated. Management has corrected all such misstatements.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated February 7, 2023.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as George Washington Carver Academy's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

<u>Other Matters</u>

We applied certain limited procedures to the required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on supplementary information, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Current Year Recommendations

Material Audit Adjustments

Initial general ledger records provided by the management company were not reconciled, complete or accurate in several areas. Trail balance amounts were not accurate, general ledger cash balances were not reconciled to the bank, and grant reimbursements in excess of expenditures had been requested. After some corrections were made by the client, material audit adjustments were required to accurately report due from other governments, grants revenues, grant expenditures, and unavailable\deferred revenues in accordance with generally accepted accounting principles (GAAP). We recommend additional monthly and annual "closing" procedures should be implemented to include reconciliation of accounts to supporting documentation and subsidiary ledgers on a timely basis, review of the general ledger balances, and the posting of adjustments to ensure accurate and complete financial records.

Lack of Segregation of Duties

One individual from the management company is responsible for maintaining blank check stock, printing checks, signing checks via a signature stamp, posting adjustments to the general ledger, and preparing the bank reconciliation. While the management company has implemented mitigation controls to prevent errors, the lack of segregation of duties still exists due to the combined duties of one individual. We recommend the signature stamps be secured, controlled, and used to sign the checks by the superintendent to provide a segregation of duties.

Audit Filing Deadline

Due to numerous accounting deficiencies more fully described in Financial Statement Finding 2022-001, the Academy was unable to meet the November 1, 2022 audit filing deadline as required by the Michigan Department of Education. We recommend annual "closing" procedures be implemented to include reconciliation of accounts to supporting documentation and subsidiary ledgers on a timely basis, review of the general ledger balances, and the posting of adjustments to ensure accurate and complete financial records. Sufficient accounting personnel should be dedicated to the process to ensure that accurate financial records are completed in a time frame that would allow the audit to be completed by November 1.

Grant Budget Compliance

During our Federal award compliance testing, it was noted that ESSER II grant expenditures were being requested and charged to ESSER II grant programs in the general ledger in excess of the state approved budgeted amounts. We recommend the Academy verify all grant expenditures relate to an allowable activity and/or that an available approved budget exists before charging such expenditures to the grant.

Grant Documentation

When tracing grant expenditures to supporting vendor invoices, documentation as to the methodology and the allocation of the dollar amounts of the invoice to the federal grant expenditure accounts was not always present. While we were able to reconcile the documentation to the grant allocation for all testing performed, we would recommend that the Academy document the allocation methodology and amounts on the invoice when initially paid and charged to the expenditure accounts. That will make it easier to reconcile grant expenditures to the actual allowable grant costs documented on the invoice.

Capital Asset Tracking

The Academy has not historically purchased equipment with federal grant dollars; therefore, the Academy has not kept records as to the funding source for the purchase of equipment that is capitalized. In the 2022-2023 fiscal year, the Academy will be using ESSER III funds to replace the current HVAC system. We would recommend that the Academy revise their internal capital assets records to indicate if the assets capitalized were purchased or constructed with federal grant dollars.

Capital Asset Implementation Policy

The Governmental Accounting Standards Board has clarified their guidance on the reporting of fixed assets. The new guidance (GASB Implementation Guide Update 2021-1) clarifies that fixed assets purchased in a group that are individually below a school district's capitalization threshold but exceed the capitalization threshold in total should be recorded in the school districts capital assets records. This new accounting guidance is effective in the year ended June 30, 2024. The Academy should evaluate current polices to ensure it can comply with the new guidance beginning July 1, 2023.

Prior Year Recommendations

Material Audit Adjustments

Generally accepted accounting principles allow for the General Fund to recognize revenue only if the proceeds were collected during the year, or soon enough after year end to be available to pay liabilities outstanding as of year end (this is known as the period of availability). During the audit process, federal revenue was identified as not meeting the available criteria for revenue recognition as of June 30, 2021. Without the adjustment proposed by Taylor & Morgan, P.C. and recorded by management, revenue would have been overstated by $366,822. We recommended the Academy implement a procedure for tracking revenue received subsequent to year end to ensure the revenue is recorded in the proper accounting period.

The current year audit disclosed the same issue with regard to material audit adjustments.

Federal Grant Compliance

During our compliance testing of the Title I federal program, it was noted that the annual federal expenditure report filed for the program year ending September 30, 2020 had overstated expenditures by $9,110. This reporting error also led to a request for grant reimbursements that exceeded expenditures. We recommended the Academy implement a policy that includes proper documentation of federal expenditures prior to each request that includes expenditure reports generated directly from the accounting software.

The current year audit disclosed the same issue with respect to grant requests, although the overstated expenditure amount of $9,110 was returned to the State of Michigan.

Restriction on Use

This information is intended solely for the information and use of Board of Education and management of George Washington Carver Academy and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Taylor & Morgan, P.C.

Taylor & Morgan, P.C.
Certified Public Accountants