The Dearborn Academy

Financial Report
with Supplemental Information
June 30, 2018

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Independent Auditor's Report

To the Board of Directors
The Dearborn Academy

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the remaining fund information of The Dearborn Academy (the "Academy") as of and for the year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise The Dearborn Academy's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the remaining fund information of The Dearborn Academy as of June 30, 2018 and the respective changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the basic financial statements, as of July 1, 2017, the Academy adopted the provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. The Academy's unrestricted net position has been restated as of July 1, 2017 as a result of this change in accounting principle. Our opinion is not modified with respect to this matter.

To the Board of Directors
The Dearborn Academy

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules of the proportionate share of the net pension and OPEB liabilities and contributions, and the major fund budgetary comparison schedule be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which 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 supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2018 on our consideration of The Dearborn Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is 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 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 The Dearborn Academy's internal control over financial reporting and compliance.

Plante & Moran, PLLC

October 24, 2018

This section of The Dearborn Academy's (the "Academy") annual financial report presents our discussion and analysis of the Academy's financial performance during the year ended June 30, 2018. Please read it in conjunction with the Academy's financial statements, which immediately follow this section.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those financial statements. These statements are organized so the reader can understand The Dearborn Academy financially as a whole. The government-wide financial statements provide information about the activities of the whole Academy, presenting both an aggregate view of the Academy’s finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short term, as well as what remains for future spending. The fund financial statements look at the Academy’s operations in more detail than the government-wide financial statements by providing information about the Academy’s most significant fund - the General Fund - with the nonmajor Food Service Fund presented in one column as a nonmajor fund. This report is composed of the following elements:

Management's Discussion and Analysis (MD&A)
(Required Supplemental Information)

Basic Financial Statements

Government-wide Financial Statements

Fund Financial Statements

Notes to Financial Statements

Required Supplemental Information

Budgetary Information for the General Fund

Schedules of Proportionate Share of the Net Pension and Net OPEB Liabilities

Schedules of Pension and OPEB Contributions

Notes to Required Supplemental Information

Reporting the Academy as a Whole - Government-wide Financial Statements

One of the most important questions asked about the Academy is, “As a whole, what is the Academy’s financial condition as a result of the year’s activities?” The statement of net position and the statement of activities, which appear first in the Academy’s financial statements, report information on the Academy as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year’s revenue and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Academy’s net position - the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources, as reported in the statement of net position - as 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 - are indicators of whether its financial health is improving or deteriorating. The relationship between revenue and expenses is the Academy’s operating results. However, the Academy’s goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the Academy.

The statement of net position and the statement of activities report the governmental activities for the Academy, which encompass all of the Academy’s services, including instruction, support services, community services, athletics, and food services. Unrestricted state aid (foundation allowance revenue), and state and federal grants finance most of these activities.

Reporting the Academy's Most Significant Funds - Fund Financial Statements

The Academy's fund financial statements provide detailed information about the most significant funds - not the Academy as a whole. Some funds are required to be established by state law. The Academy maintains another fund to help it control and manage money for particular purposes (the Food Service Fund).

Governmental Funds

All of the Academy's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the Academy and the services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Academy's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds in a reconciliation.

The Academy as a Whole

Recall that the statement of net position provides the perspective of the Academy as a whole. The following table provides a summary of the Academy's net position as of June 30, 2018 and 2017:

	Governmental Activities (in thousands)	
Assets		
Current and other assets	$ 1,945.6	$ 2,140.9
Capital assets	256.3	281.3
Total assets	2,201.9	2,422.2
Deferred Outflows of Resources	51.2	31.1
Liabilities		
Current liabilities	768.4	950.4
Net pension liability	196.0	185.3
Net OPEB obligation	66.7	-
Total liabilities	1,031.1	1,135.7
Deferred Inflows of Resources	20.5	6.3
Net Position		
Net investment in capital assets	256.3	281.3
Unrestricted	945.2	1,030.0
Total net position	**$ 1,201.5**	**$ 1,311.3**

The above analysis focuses on net position. The change in net position of the Academy's governmental activities is discussed below. The Academy's net position was $1,201.5 thousand at June 30, 2018. Net investment in capital assets totaling $256.3 thousand compares the original cost, less depreciation of the Academy's capital assets. The remaining amount of net position, $945.2 thousand, was unrestricted.

The $945.2 thousand in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. The unrestricted net position balance enables the Academy to meet working capital and cash flow requirements, as well as to provide for future uncertainties. The operating results of the General Fund will have a significant impact on the change in unrestricted net position from year to year.

The results of this year's operations for the Academy as a whole are reported in the condensed statement of activities below, which shows the changes in net position for the years ended June 30, 2018 and 2017:

	Governmental Activities	
	2018	2017
	(in thousands)	
Revenue		
Program revenue:		
Charges for services	$ 9.3	$ 5.7
Operating grants and contributions	1,462.0	1,519.0
General revenue:		
State aid not restricted to specific purposes	3,870.8	3,809.3
Other	23.5	8.3
Total revenue	5,365.6	5,342.3
Expenses		
Instruction	2,210.6	2,457.8
Support services	2,683.4	2,543.5
Athletics	29.8	29.3
Food services	431.6	437.7
Community services	27.5	34.5
Depreciation expense (unallocated)	25.0	25.0
Total expenses	5,407.9	5,527.8
Change in Net Position	(42.3)	(185.5)
Net Position - Beginning of year, as previously reported	1,311.3	1,496.8
Cumulative Effect of Change in Accounting	(67.5)	-
Net Position - Beginning of year	1,243.8	1,496.8
Net Position - End of year	**$ 1,201.5**	**$ 1,311.3**

As required by the Governmental Accounting Standards Board (GASB), the School District adopted GASB Statement No. 75. This standard required the inclusion of the district's proportionate share of the Michigan Public School Employees' Retiree Health Care Plan within the Academy's financial statements, effective July 1, 2017. The effect of the adoption was to decrease July 1, 2017 beginning net position by $67.5 thousand, and to include the net OPEB obligation and related deferred inflows and outflows of resources in the June 30, 2018 financial statements. All governments participating in the plan were required to adopt this new standard.

As reported in the statement of activities, the cost of all of our governmental activities this year was $5,407.9 thousand. Certain activities were partially funded by other governments and organizations that subsidized certain programs with grants and contributions ($1,462.0 thousand). We paid for the remaining "public benefit" portion of our governmental activities with $3,870.8 thousand in state foundation allowance and with our other revenue (i.e., interest and general entitlements).

The Academy experienced a decrease in net position of $42.3 thousand compared to a decrease in net position of $185.5 thousand last year. Key reasons for the change in net position were the increase in unrestricted state aid and the decrease in instruction expenses compared to last year.

As discussed above, the net cost shows the financial burden that was placed on the state by each of these functions. Since unrestricted state aid constitutes the vast majority of the Academy's operating revenue sources, the board of directors and administration must annually evaluate the needs of the Academy and balance those needs with state-prescribed available unrestricted resources.

The Academy's Funds

As we noted earlier, the Academy uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the Academy is being accountable for the resources the State and others provide to it and may provide more insight into the Academy's overall financial health.

As the Academy completed this year, the governmental funds reported a combined fund balance of $1,177.2 thousand. The Academy experienced a decrease in combined fund balance of $13.4 thousand compared to a decrease in combined fund balance of $205.7 thousand last year. The primary reasons for the change in fund balance was due to the increase in unrestricted state aid and the decrease in instruction expenses compared to last year.

General Fund fund balance is available to fund costs related to allowable school operating purposes.

General Fund Budgetary Highlights

Over the course of the year, the Academy revises its budget as it attempts to deal with unexpected changes in revenue and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was adopted in June 2018. A schedule showing the Academy's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements.

The Academy made revisions to the 2017-2018 General Fund original budget due to the Academy's revised operating plan due to fluctuations in revenue and program activities.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2018, the Academy had $256,328 invested in capital assets, which include a modular building, furniture, and equipment.

There were no additions to capital assets during the year and there are no major capital projects planned for the 2018-2019 fiscal year. We present more detailed information about our capital assets in the notes to the financial statements.

Debt

The Academy has no outstanding long-term debt at June 30, 2018.

Economic Factors and Next Year's Budgets and Rates

Our appointed officials and administration consider many factors when setting the Academy's 2018-2019 fiscal year budget. One of the most important factors affecting the budget is our student count. The state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The 2018-2019 budget was adopted in June 2018 based on an estimate of students who will enroll in September 2018. Approximately 78 percent of total General Fund revenue is from the foundation allowance. As a result, the Academy's funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2018 school year, we anticipate that the fall student count will be close to the estimates used in creating the 2019 budget. Once the final student count and related per pupil funding is validated, state law requires the Academy to amend the budget if actual district resources are not sufficient to fund original appropriations.

Since the Academy's revenue is heavily dependent on state funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenue to fund its appropriation to the Academy. The State periodically holds a revenue-estimating conference to estimate revenue. If the State estimates funds are not sufficient to fund the appropriation, the legislature must revise the appropriation or proration of state aid will occur.

Statement of Net Position

June 30, 2018

	Governmental Activities
Assets	
Cash (Note 4)	$ 901,472
Receivables from other governmental units	991,778
Prepaid costs	52,346
Capital assets - Net (Note 6)	256,328
Total assets	2,201,924
Deferred Outflows of Resources (Note 10)	
Deferred pension costs	47,439
Deferred OPEB costs	3,722
Total deferred outflows of resources	51,161
Liabilities	
Accounts payable (Note 9)	762,837
Unearned revenue (Note 5)	5,556
Noncurrent liabilities: (Note 10)	
Net pension liability	196,026
Net OPEB obligation	66,689
Total liabilities	1,031,108
Deferred Inflows of Resources (Note 10)	
Revenue in support of pension contributions made subsequent to the measurement date	7,761
Deferred pension cost reductions	10,453
Deferred OPEB cost reductions	2,256
Total deferred inflows of resources	20,470
Net Position	
Net investment in capital assets	256,328
Unrestricted	945,179
Total net position	**$ 1,201,507**

Statement of Activities

Year Ended June 30, 2018

	Expenses	Program Revenue: Charges for Services	Program Revenue: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Functions/Programs				
Primary government - Governmental activities:				
Instruction	$ 2,210,546	$ -	$ 463,380	$ (1,747,166)
Support services	2,683,392	-	568,221	(2,115,171)
Athletics	29,836	-	-	(29,836)
Food services	431,621	9,250	422,371	-
Community services	27,500	-	8,000	(19,500)
Depreciation expense (unallocated) (Note 6)	25,022	-	-	(25,022)
Total primary government	**$ 5,407,917**	**$ 9,250**	**$ 1,461,972**	(3,936,695)
General revenue:				
State aid not restricted to specific purposes				3,870,756
Interest and investment earnings				1,601
Other				21,971
Total general revenue				3,894,328
Change in Net Position				(42,367)
Net Position - Beginning of year, as previously reported				1,311,333
Cumulative Effect of Change in Accounting (Note 2)				(67,459)
Net Position - Beginning of year				1,243,874
Net Position - End of year				**$ 1,201,507**

See notes to financial statements.

Governmental Funds
Balance Sheet

June 30, 2018

	General Fund	Nonmajor Food Service Fund	Total Governmental Funds
Assets			
Cash (Note 4)	$ 901,472	$ -	$ 901,472
Receivables from other governmental units	976,696	15,082	991,778
Prepaid costs	52,346	-	52,346
Total assets	**$ 1,930,514**	**$ 15,082**	**$ 1,945,596**
Liabilities			
Accounts payable (Note 9)	$ 747,755	$ 15,082	$ 762,837
Unearned revenue (Note 5)	5,556	-	5,556
Total liabilities	753,311	15,082	768,393
Fund Balances			
Nonspendable - Prepaid costs	52,346	-	52,346
Unassigned	1,124,857	-	1,124,857
Total fund balances	1,177,203	-	1,177,203
Total liabilities and fund balances	**$ 1,930,514**	**$ 15,082**	**$ 1,945,596**

Governmental Funds
Reconciliation of the Balance Sheet to the Statement of Net Position

	June 30, 2018
Fund Balances Reported in Governmental Funds	$ 1,177,203
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds:	
Cost of capital assets	600,372
Accumulated depreciation	(344,044)
Net capital assets used in governmental activities	256,328
Some employee fringe benefits are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities:	
Net pension liability and related deferred inflows and outflows	(159,040)
Net OPEB liability and related deferred inflows and outflows	(65,223)
Revenue in support of pension contributions made subsequent to the measurement date is reported as a deferred inflow of resources in the statement of net position and is not reported in the funds	(7,761)
Net Position of Governmental Activities	**$ 1,201,507**

Governmental Funds
Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended June 30, 2018

	General Fund	Nonmajor Food Service Fund	Total Governmental Funds
Revenue			
Local sources	$ 23,572	$ 9,250	$ 32,822
State sources	4,295,445	623	4,296,068
Federal sources	571,976	421,748	993,724
Intergovernmental sources	42,830	-	42,830
Total revenue	4,933,823	431,621	5,365,444
Expenditures			
Current:			
Instruction	2,210,546	-	2,210,546
Support services	2,679,278	-	2,679,278
Athletics	29,836	-	29,836
Food services	-	431,621	431,621
Community services	27,500	-	27,500
Total expenditures	4,947,160	431,621	5,378,781
Net Change in Fund Balances	(13,337)	-	(13,337)
Fund Balances - Beginning of year	1,190,540	-	1,190,540
Fund Balances - End of year	**$ 1,177,203**	**$ -**	**$ 1,177,203**

Governmental Funds
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

Year Ended June 30, 2018

Net Change in Fund Balance Reported in Governmental Funds	$	(13,337)
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, these costs are allocated over their estimated useful lives as depreciation - Depreciation expense		(25,022)
Revenue in support of pension contributions made subsequent to the measurement date		(2,028)
Some employee costs (pension and OPEB) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds		(1,980)
Change in Net Position of Governmental Activities	**$**	**(42,367)**

Note 1 - Nature of Business

The Dearborn Academy (the "Academy") is an academy in the state of Michigan that provides educational services to students.

Note 2 - Significant Accounting Policies

Accounting and Reporting Principles

The Academy follows accounting principles generally accepted in the United States of America (GAAP), as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board. The following is a summary of the significant accounting policies used by the Academy:

Reporting Entity

The Academy was formed as a charter school academy pursuant to the Michigan School Code of 1976, as amended by Act No. 362 of the Public Acts of 1993 and Act No. 416 of the Public Acts of 1994. The Academy provides education for students in grades K through 8.

In July 2007, the Academy entered into a five-year contract with Central Michigan University to charter a public school academy, which was extended and expired on June 30, 2018. On July 1, 2018, this contract was extended through June 30, 2023. 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 Central Michigan University 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 Central Michigan University board of trustees 3.0 percent of state aid foundation allowance as administrative fees. The total administrative fees for the year ended June 30, 2018 were approximately $112,000.

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

Report Presentation

Governmental accounting principles require that financial reports include two different perspectives - the government-wide perspective and the fund-based perspective. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units, as applicable. The government-wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The statements also present a schedule reconciling these amounts to the modified accrual-based presentation found in the fund-based statements. All of the Academy's government-wide activities are considered governmental activities.

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

Note 2 - Significant Accounting Policies (Continued)

As a general rule, the effect of interfund activity has been removed from the government-wide financial statements. Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Basis of Accounting

The governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting is intended to better demonstrate accountability for how the government has spent its resources.

Expenditures are reported when the goods are received or the services are rendered. Capital outlays are reported as expenditures (rather than as capital assets) because they reduce the ability to spend resources in the future; conversely, employee benefit costs that will be funded in the future (such as pension and retiree healthcare-related costs) are not counted until they come due for payment. In addition, debt service expenditures, claims, and judgments are recorded only when payment is due.

Revenue is not recognized until it is collected, or collected soon enough after the end of the year that it is available to pay for obligations outstanding at the end of the year. For this purpose, the Academy considers amounts collected within 60 days of year end to be available for recognition. Revenue not meeting this definition is classified as a deferred inflow of resources.

Fund Accounting

The Academy accounts for its various activities in several different funds in order to demonstrate accountability for how it spends certain resources; separate funds allow the Academy to show the particular expenditures for which specific revenue is used. The Academy only has governmental funds.

Governmental Funds

Governmental funds include all activities that provide general governmental services that are not business-type activities. Governmental funds can include the General Fund, special revenue funds, debt service funds, capital project funds, and permanent funds. The Academy’s only major fund is the General Fund, which is the primary operating fund because it accounts for all financial resources used to provide government services other than those specifically assigned to another fund.

Additionally, the Academy reports the following nonmajor governmental fund type:

- Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes. The Academy’s special revenue fund is the Food Service Fund. Revenue sources for the Food Service Fund are derived primarily from grants received from state and federal sources. Any operating deficit generated by these activities is the responsibility of the General Fund.

Specific Balances and Transactions

Cash

Cash includes cash on hand and demand deposits.

Receivables

Accounts receivable are shown net of an allowance for uncollectible amounts. The Academy considers all accounts receivable to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

Prepaid Costs

Certain payments to vendors and security deposits reflect costs applicable to future fiscal years and deposits that the Academy is eligible to receive when leases expire. These are recorded as prepaid costs in both the government-wide and fund financial statements.

Note 2 - Significant Accounting Policies (Continued)

Capital Assets

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

Capital assets are depreciated using the straight-line method over the following useful lives:

	Depreciable Life - Years
Building and building additions	10-29
Furniture and equipment	7-20

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense/expenditure) until then.

The Academy reports deferred outflows related to deferred pension and OPEB plan costs.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time.

The Academy reports deferred inflows related to related to revenue in support of pension contributions made subsequent to the measurement date and deferred pension and OPEB plan cost reductions.

Net Position

Net position of the Academy is classified in three components. Net investment in capital assets consists of capital assets net of accumulated depreciation. The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted net position is the remaining net position that does not meet the definition of invested in capital or restricted.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government’s highest level of decision-making authority. The board of directors is the highest level of decision-making authority for the government that can, by passing of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Note 2 - Significant Accounting Policies (Continued)

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The Academy has, by resolution, authorized the board of directors to assign fund balance Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Grants and Contributions

The Academy receives federal, state, and local grants, as well as contributions from individuals and private organizations. Revenue from grants and contributions (including contributions of capital assets) is recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenue. Amounts restricted to capital acquisitions are reported after nonoperating revenue and expenses.

Pension and Other Postemployment Benefit (OPEB) Plans

For the purpose of measuring the net pension and net OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to each plan, and pensions and OPEB expense, information about the fiduciary net position of the Michigan Public School Employees' Retirement System (MPSERS) and additions to/deductions from the MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. MPSERS uses the economic resources measurement focus and the full accrual basis of accounting. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments (including refunds of employee contributions) are recognized as expenses when due and payable in accordance with the plan benefit terms. Related plan investments are reported at fair value.

Use of Estimates

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

Adoption of New Accounting Pronouncement

As of July 1, 2017, the Academy adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which addresses reporting by governments that provide postemployment benefits other than pensions (OPEB) to their employees and for governments that finance OPEB for employees of other governments. This OPEB standard will require the Academy to recognize on the face of the financial statements its proportionate share of the net OPEB liability related to its participation in the Michigan Public School Employees' Retirement System (MPSERS). The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI).

In accordance with the statement, the Academy has reported a net OPEB liability of $70,342, deferred outflows of financial resources for OPEB contributions of $5,017 made subsequent to the measurement date, and deferred inflows of financial resources for revenue received from State Aid in support of OPEB contributions of $2,134 that was received subsequent to the measurement date, as the effects of these changes in accounting principles on the Academy's net position as of July 1, 2017.

Note 2 - Significant Accounting Policies (Continued)

Upcoming Accounting Pronouncement

In June 2017, the GASB issued Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The Academy is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the Academy's financial statements for the year ending June 30, 2021.

Note 3 - Stewardship, Compliance, and Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the General Fund and Food Service Fund. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits academies to amend their budgets during the year. During the year, the budget was amended in a legally permissible manner. The Academy adjusted budgeted amounts during the year in response to actual and projected activity.

Encumbrance accounting is employed in governmental funds. Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

Excess of Expenditures Over Appropriations in Budgeted Funds

During the year, the Academy did not have significant expenditure budget variances.

Note 4 - Deposits and Investments

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

The Academy has designated one bank for the deposit of its funds.

The investment policy adopted by the board of directors in accordance with state statutes has authorized investment in bonds and securities of the United States government; agency obligations of the State, certificates of deposit issued by financial institutions organized and authorized to operate in this state, commercial paper rated prime 1 or prime 2 at the time of purchase and maturing not more than 270 days after the date of purchase, and Michigan Investment Liquid Asset Fund Plus (MILAF) investment pools, but not the remainder of state statutory authority, as listed above.

Note 4 - Deposits and Investments (Continued)

The Academy's cash is subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. The Academy's investment policy requires that financial institutions be evaluated and only those with an acceptable risk level are used for the Academy's deposits for custodial credit risk. At year end, the Academy had $868,714 of bank deposits (checking and savings accounts) that were uninsured and uncollateralized. The Academy believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Academy evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Note 5 - Unavailable/Unearned Revenue

Governmental funds report unavailable revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also report unearned revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the Academy had unearned revenue of $5,556 for grant payments received prior to meeting all eligibility requirements.

Note 6 - Capital Assets

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

Governmental Activities

	Balance July 1, 2017	Additions	Disposals	Balance June 30, 2018
Capital assets:				
Buildings and building improvements	$ 505,948	$ -	$ -	$ 505,948
Furniture and equipment	94,424	-	-	94,424
Total capital assets	600,372	-	-	600,372
Accumulated depreciation:				
Buildings and building improvements	252,659	19,411	-	272,070
Furniture and equipment	66,363	5,611	-	71,974
Total accumulated depreciation	319,022	25,022	-	344,044
Net capital assets	$ 281,350	$ (25,022)	$ -	$ 256,328

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

Note 7 - Operating Leases

The Academy has entered into an operating lease agreement for its facility that expires on June 30, 2024. Lease payments of approximately $40,570 are due monthly and total payments for the lease were approximately $487,000 for the current year.

Future minimum annual commitments under these operating leases are as follows:

Years Ending June 30	Amount
2019	$ 486,852
2020	486,852
2021	486,852
2022	486,852
2023	486,852
Thereafter	486,852
Total	$ 2,921,112

Note 8 - Risk Management

The Academy is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. Employee-related claims for management company staff are covered by insurance policies held by the management company. The Academy has purchased commercial insurance for all other claims. There have been no claims brought against the Academy during the year ended June 30, 2018.

Note 9 - Management Agreement

In July 1997, the Academy entered into a management agreement with a for-profit corporation. The management company is responsible for substantially all of the management, operation, administration, education, and food services at the Academy. The Academy subcontracts most employees from the management company and reimburses the management company for operating costs. Accounts payable owed to the management company at June 30, 2018 totaled approximately $739,000. The operating costs charged to the Academy by the management company were approximately $4,332,000 for the year ended June 30, 2018. The agreement expired on June 30, 2018 and the final terms for the agreement renewal are in negotiations and expected to extend through June 30, 2023.

Note 10 - Michigan Public School Employees' Retirement System

Plan Description

The Academy participates in the Michigan Public School Employees' Retirement System (MPSERS or the "System"), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the Academy. Certain Academy employees also receive defined contribution retirement and healthcare benefits through the System. The System provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The System also provides postemployment healthcare benefits to retirees and beneficiaries who elect to receive those benefits.

The System is administered by the Office of Retirement Services (ORS). The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplemental information for the pension and postemployment healthcare plans. That report is available on the web at http://www.michigan.gov/orsschools, or by writing to the Office of Retirement System (ORS) at 7150 Harris Drive, P.O. Box 30171, Lansing, MI 48909.

Note 10 - Michigan Public School Employees' Retirement System (Continued)

Benefits Provided

Benefit provisions of the defined benefit (DB) pension plan and the postemployment healthcare plan are established by state statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit pension plan and the postemployment healthcare plan.

Depending on the plan option selected, member retirement benefits are calculated as final average compensation times years of services times a pension factor ranging from 1.25 percent to 1.50 percent. The requirements to retire range from attaining the age of 46 to 60 with years of service ranging from 5 to 30 years, depending on when the employee became a member. Early retirement is computed in the same manner as a regular pension, but is permanently reduced 0.50 percent for each full and partial month between the pension effective date and the date the member will attain age 60. There is no mandatory retirement age.

Depending on the member’s date of hire, MPSERS offers the option of participating in the defined contribution (DC) plan that provides a 50 percent employer match (up to 3 percent of salary) on employee contributions.

Members are eligible for nonduty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits, but are payable immediately without an actuarial reduction. The disability benefits plus authorized outside earnings are limited to 100 percent of the participant's final average compensation, with an increase of 2 percent each year thereafter.

Benefits may transfer to a beneficiary upon death and are determined in the same manner as retirement benefits, but with an actuarial reduction.

Benefit terms provide for annual cost of living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustment, if applicable, is 3 percent. Some members who do not receive an annual increase are eligible to receive a supplemental payment in those years when investment earnings exceed actuarial assumptions.

MPSERS provides medical, prescription drug, dental, and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by MPSERS with the balance deducted from the monthly pension of each retiree healthcare recipient. Depending on the member’s date of hire, this subsidized portion ranges from 80 percent to the maximum allowed by the statute.

Contributions

Public Act 300 of 1980, as amended, required the Academy to contribute amounts necessary to finance the coverage of pension benefits of active and retired members. Contribution provisions are specified by state statute and may be amended only by action of the state Legislature. Under these provisions, each school district's contribution is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance a portion of the unfunded accrued liability.

Under the OPEB plan, retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent, or 20 percent for those not Medicare eligible, of the monthly premium amount for the health, dental, and vision coverage at the time of receiving the benefits. The MPSERS board of trustees annually sets the employer contribution rate to fund the benefits. Participating employers are required to contribute at that rate.

Note 10 - Michigan Public School Employees' Retirement System (Continued)

Under Public Act 300 of 2012, members were given the choice between continuing the 3 percent contribution to the retiree healthcare and keeping the premium subsidy benefit described above, or choosing not to pay the 3 percent 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 percent employee contribution into their 457 account as of their transition date, earning them a 2 percent employer match into a 401(k) account. Members who selected this option stop paying the 3 percent contribution to the retiree healthcare as of the day before their transition date, and their prior contributions were deposited into their 401(k) account.

The Academy's contributions are determined based on employee elections. There are multiple different pension and healthcare benefit options included in the plan available to employees based on date of hire and the elections available at that time. Contribution rates are adjusted annually by the ORS.

The range of rates is as follows:

	Pension	OPEB
October 1, 2017 - January 31, 2018	13.54% - 17.89%	7.42% - 7.67%
February 1, 2018 - September 30, 2018	13.54% - 19.74%	7.42% - 7.67%

Depending on the plan selected, member pension contributions range from 0 percent up to 7.0 percent of gross wages. For certain plan members, a 4 percent employer contribution to the defined contribution pension plan is required. In addition, for certain plan members, a 3 percent employer match is provided to the defined contribution pension plan.

The Academy's required and actual pension contributions to the plan for the year ended June 30, 2018 were $20,999, which include the Academy's contributions required for those members with a defined contribution benefit. The Academy's required and actual pension contributions include an allocation of $7,761 in revenue received from the State of Michigan and remitted to the System to fund the MPSERS unfunded actuarial accrued liability (UAAL) stabilization rate for the year ended June 30, 2018. For the year ended June 30, 2018, the contributions also include a one-time payment to the Academy received under Section 147c(2) of the State Aid act, which the Academy then remitted as a contribution to the plan.

The Academy's required and actual OPEB contributions to the plan for the year ended June 30, 2018 were $9,228, which include the Academy's contributions required for those members with a defined contribution benefit.

Net Pension Liability

At June 30, 2018, the Academy reported a liability of $196,026 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2016, which used updated procedures to roll forward the estimated liability to September 30, 2017. The Academy's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2017 and 2016, the Academy's proportion was 0.00075 percent.

Note 10 - Michigan Public School Employees' Retirement System (Continued)

Net OPEB Liability

At June 30, 2018, the Academy reported a liability of $66,689 for its proportionate share of the net OPEB liability. The net OPEB liability for fiscal year 2018 was measured as of September 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2016, which used updated procedures to roll forward the estimated liability to September 30, 2017. The Academy's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2017 and 2016, the Academy's proportion was 0.00075 percent of MPSERS in total.

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

For the year ended June 30, 2018, the Academy recognized pension expense of $23,419, inclusive of payments to fund the MPSERS UAAL stabilization rate. At June 30, 2018, 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
Difference between expected and actual experience	$ 1,704	$ (962)
Changes in assumptions	21,476	-
Net difference between projected and actual earnings on pension plan investments	-	(9,371)
Changes in proportion and differences between the Academy's contributions and proportionate share of contributions	7,826	(120)
The Academy's contributions to the plan subsequent to the measurement date	16,433	-
Total	$ 47,439	$ (10,453)

The $7,761 reported as deferred inflows of resources resulting from the pension portion of state aid payments received pursuant to the UAAL payment will be recognized as state appropriations revenue for the year ending June 30, 2019. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending	Amount
2019	$ 6,672
2020	9,570
2021	4,354
2022	(43)
Total	$ 20,553

In addition, the contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the next year.

Note 10 - Michigan Public School Employees' Retirement System (Continued)

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

For the years ended June 30, 2018, the Academy recognized OPEB expense of $9,228.

At June 30, 2018, 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
Difference between expected and actual experience	$ -	$ (710)
Net difference between projected and actual earnings on OPEB plan investments	-	(1,545)
Changes in proportionate share or difference between amount contributed and proportionate share of contributions	4	(1)
Employer contributions to the plan subsequent to the measurement date	3,718	-
Total	$ 3,722	$ (2,256)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (note that employer contributions subsequent to the measurement date will reduce the net OPEB liability and, therefore, will not be included in future pension expense):

Years Ending	Amount
2019	$ (544)
2020	(544)
2021	(544)
2022	(544)
2023	(76)
Total	$ (2,252)

Actuarial Assumptions

The total pension liability and total OPEB liability as of September 30, 2017 is based on the results of an actuarial valuation as of September 30, 2016 and rolled forward. The total pension liability was determined using the following actuarial assumptions:

Actuarial cost method		Entry age normal cost actuarial cost method
Investment rate of return - Pension	7.00% - 7.50%	Net of investment expenses based on the groups
Investment rate of return - OPEB	7.50%	Net of investment expenses based on the groups
Salary increases	3.50% - 12.30%	Including wage inflation of 3.50 percent
Healthcare cost trend rate	7.50%	Year 1 graded to 3.5 percent year 12
Mortality basis		RP2000 Combined Healthy Mortality Table, adjusted for mortality improvements to 2025 using projection scale BB
Cost of living pension adjustments	3.00%	Annual noncompounded for MIP members

Assumption changes as a result of an experience study for the periods from 2007 to 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation.

Note 10 - Michigan Public School Employees' Retirement System (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.00 - 7.50 percent and 7.00 - 8.00 percent as of September 30, 2017 depending on the plan option. The discount rate used to measure the total OPEB liability was 7.50 percent as of September 30, 2017. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that district contributions will be made at statutorily required rates.

Based on those assumptions, the pension plan's fiduciary net position and the OPEB plan’s fiduciary net position were projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan and OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension liability and total OPEB liability.

The long-term expected rate of return on pension plan and 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 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. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity pools	28.00 %	5.60 %
Private equity pools	18.00	8.70
International equity pools	16.00	7.20
Fixed-income pools	10.50	(0.10)
Real estate and infrastructure pools	10.00	4.20
Real return, opportunistic, and absolute pool	15.50	5.00
Short-term investment pools	2.00	(0.90)
Total	100.00 %	

MPSERS approved a decrease in the discount rate for the September 30, 2017 annual actuarial valuation for the pension plan and the OPEB plan to 7.05 percent and 7.15 percent, respectively. As a result, the actuarial computed employer contributions, the net pension liability, and net OPEB liability will increase for the measurement period ending September 30, 2018.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Academy, calculated using the discount rate depending on the plan option. The following also reflects what the Academy's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percent Decrease (6.00 - 6.50%)	Current Discount Rate (7.00 - 7.50%)	1 Percent Increase (8.00 - 8.50%)
Net pension liability of the Academy	$ 255,356	$ 196,026	$ 146,073

Note 10 - Michigan Public School Employees' Retirement System (Continued)

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the Academy, calculated using the current discount rate. It also reflects what the Academy's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percent Decrease (6.50%)	Current Discount Rate (7.50%)	1 Percent Increase (8.50%)
Net OPEB liability of the Academy	$ 78,112	$ 66,689	$ 56,994

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the net OPEB liability of the School District, calculated using the current healthcare cost trend rate. It also reflects what the School District's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percent Decrease (6.50%)	Current Discount Rate (7.50%)	1 Percent Increase (8.50%)
Net OPEB liability of the Academy	$ 56,476	$ 66,689	$ 78,284

Pension Plan and OPEB Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position is available in the separately issued MPSERS financial report.

Payable to the Pension Plan and OPEB Plan

At June 30, 2018, the Academy reported a payable of $1,412 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2018.

Required Supplemental Information

Required Supplemental Information
Budgetary Comparison Schedule - General Fund

Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Revenue				
Local sources	$ 46,952	$ 23,570	$ 23,572	$ 2
State sources	4,311,518	4,301,303	4,295,445	(5,858)
Federal sources	605,472	635,338	571,976	(63,362)
Intergovernmental sources	-	51,398	42,830	(8,568)
Total revenue	4,963,942	5,011,609	4,933,823	(77,786)
Expenditures				
Current:				
Instruction:				
Basic programs	1,415,629	1,347,600	1,423,598	75,998
Added needs	1,001,434	942,958	786,948	(156,010)
Support services:				
Pupil	306,705	246,628	243,085	(3,543)
Instructional staff	220,943	292,186	263,266	(28,920)
General administration	554,846	588,726	617,659	28,933
School administration	206,611	233,840	226,949	(6,891)
Business	181,877	238,462	242,763	4,301
Operations and maintenance	924,687	942,035	931,662	(10,373)
Pupil transportation services	61,845	85,615	83,227	(2,388)
Central	64,789	73,338	70,667	(2,671)
Athletics	25,000	30,000	29,836	(164)
Community services	30,502	40,080	27,500	(12,580)
Total expenditures	4,994,868	5,061,468	4,947,160	(114,308)
Net Change in Fund Balance	(30,926)	(49,859)	(13,337)	36,522
Fund Balance - Beginning of year	1,190,540	1,190,540	1,190,540	-
Fund Balance - End of year	**$ 1,159,614**	**$ 1,140,681**	**$ 1,177,203**	**$ 36,522**

See notes to required supplemental information.

Required Supplemental Information
Schedule of Proportionate Share of the Net Pension Liability
Michigan Public School Employees' Retirement System

Last Four Plan Years

Plan Years Ended September 30

	2017	2016	2015	2014
Academy's proportion of the net pension liability	0.00076 %	0.00074 %	0.00072 %	0.00069 %
Academy's proportionate share of the net pension liability	$ 196,026	$ 185,360	$ 176,217	$ 152,730
Academy's covered employee payroll	$ 63,105	$ 62,115	$ 60,087	$ 58,718
Academy's proportionate share of the net pension liability as a percentage of its covered employee payroll	310.63 %	298.41 %	293.27 %	260.11 %
Plan fiduciary net position as a percentage of total pension liability	63.96 %	63.01 %	62.92 %	66.20 %

See notes to required supplemental information.

Required Supplemental Information
Schedule of Pension Contributions
Michigan Public Schools Employees' Retirement System

Last Four Fiscal Years

Years Ended June 30

	2018	2017	2016	2015
Statutorily required contribution	$ 19,508	$ 18,036	$ 16,930	$ 10,769
Contributions in relation to the statutorily required contribution	19,508	18,036	16,930	10,769
Contribution Deficiency	**$ -**	**$ -**	**$ -**	**$ -**
Academy's Covered Employee Payroll	$ 64,632	$ 65,901	$ 60,873	$ 59,818
Contributions as a Percentage of Covered Employee Payroll	30.18 %	27.37 %	27.81 %	18.00 %

See notes to required supplemental information.

Required Supplemental Information
Schedule of Proportionate Share of the Net OPEB Liability
Michigan Public School Employees' Retirement System

Last Plan Year

Plan Year Ended September 30

	2017
Academy's proportion of the net OPEB liability	0.00075 %
Academy's proportionate share of the net OPEB liability	$ 66,689
Academy's covered employee payroll	$ 63,105
Academy's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	105.68 %
Plan fiduciary net position as a percentage of total OPEB liability	36.53 %

See notes to required supplemental information.

Required Supplemental Information
Schedule of OPEB Contributions
Michigan Public School Employees' Retirement System

Last Fiscal Year

Year Ended June 30

	2018
Statutorily required contribution	$ 4,673
Contributions in relation to the statutorily required contribution	4,673
Contribution Deficiency	**$ -**
Academy's Covered Employee Payroll	$ 64,632
Contributions as a Percentage of Covered Employee Payroll	7.23 %

See notes to required supplemental information.

Pension Information

Ultimately, 10 years of data will be presented in both of the pension-related schedules. The number of years currently presented represents the number of years since the accounting standard requiring these schedules first became applicable.

Benefit Changes

There were no changes of benefit terms in 2017.

Changes in Assumptions

On February 23, 2017, MPSERS approved a decrease in the discount rate for the September 30, 2016 annual actuarial valuation of 0.5 percent to 7.00-7.50 percent based on the group.

Covered Payroll

The employers' covered payroll to be reported in the required supplemental information is defined by GASB 82, *Pension Issues - An Amendment to GASB Statements No. 67, No. 68, and No. 73*, as payroll on which contributions to a pension plan are based and by GASB 85, *Omnibus 2017*, as payroll on which contributions to the OPEB plan are based. For the Academy, covered payroll represents payroll on which contributions to both plans are based.

OPEB Information

Ultimately, 10 years of data will be presented in both of the OPEB-related schedules. The number of years currently presented represents the number of years since the accounting standard requiring these schedules first became applicable.

Benefit Changes

There were no changes of benefit terms in 2017.

Changes in Assumptions

There were no changes of benefit assumptions in 2017.

Covered Payroll

The employers' covered payroll to be reported in the required supplemental information is defined by GASB 82, *Pension Issues - An Amendment to GASB Statements No. 67, No. 68, and No. 73*, as payroll on which contributions to a pension plan are based and by GASB 85, *Omnibus 2017*, as payroll on which contributions to the OPEB plan are based. For the Academy, covered payroll represents payroll on which contributions to both plans are based.