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MADISON ACADEMY

STATEMENT OF NET POSITION JUNE 30, 2022

ASSETS AND DEFERRED OUTFLOWS

Current Assets

Cash and cash equivalents	\$	635,444
Investments		1,103,696
Due from other governmental units		2,551,108
Prepaid expenses		<u>50,436</u>
Total current assets		4,340,684

Capital Assets - Net of Accumulated Depreciation / Amortization

7,217,138

Deferred Outflows

Related to pension		55,692
Related to other post employment benefits		<u>26,048</u>
Total deferred outflows		<u>81,740</u>
Total assets and deferred outflows	\$	<u><u>11,639,562</u></u>

LIABILITIES, DEFERRED INFLOWS AND NET POSITION

Current Liabilities

Accounts payable	\$	1,331,965
Due to other governmental units		672,500
Unearned revenue		24,590
Other accrued expenses		296,822
Net pension liability		28,934
Net other post employment benefit liability		3,216
Long-term debt - current portion		<u>197,428</u>
Total current liabilities		2,555,455

Long-Term Debt - Long-Term Portion

9,711,631

Deferred Inflows

Related to pension		10,439
Related to other post employment benefits		<u>12,430</u>
Total deferred inflows		22,869

Net Position

Net investment in capital assets		(2,691,921)
Restricted for debt services and food operations		576,654
Unrestricted		<u>1,464,874</u>
Total net position		<u>(650,393)</u>
Total liabilities, deferred inflows and net position	\$	<u><u>11,639,562</u></u>

See accompanying notes to financial statements

MADISON ACADEMY

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2022

		Program Revenues		Net (Expense) Revenues and Changes in Net Position
	Expenses	Charges for Services	Operating Grants	Government Type Activities
Functions				
Instruction				
Basic programs	\$ 4,724,128	\$ -	\$ 739,033	\$ (3,985,095)
Added needs	631,023	-	627,498	(3,525)
Support services				
Pupil support services	86,148	-	8,039	(78,109)
Instructional staff support services	225,078	-	5,156	(219,922)
General administration	971,635	-	-	(971,635)
School administration	654,882	-	2,400	(652,482)
Business support services	428,342	-	-	(428,342)
Operations and maintenance	640,585	-	166,960	(473,625)
Pupil transportation services	260,468	-	-	(260,468)
Other support services	21,471	-	16,455	(5,016)
Athletic activities	115,635	-	-	(115,635)
Food services	384,915	600	491,694	107,379
Community services	67,916	-	68,120	204
Unallocated depreciation / amortization	364,590	-	-	(364,590)
Unallocated interest	624,610	-	-	(624,610)
Total primary government	\$ 10,201,426	\$ 600	\$ 2,125,355	(8,075,471)
General Purpose Revenues				
State school aid - unrestricted				7,755,637
Miscellaneous revenues				42,661
Total general purpose revenues				7,798,298
Change in net position				(277,173)
Net position - July 1, 2021				(373,220)
Net position - June 30, 2022				\$ (650,393)

See accompanying notes to financial statements

MADISON ACADEMY

COMBINED BALANCE SHEET – ALL GOVERNMENTAL FUNDS JUNE 30, 2022

ASSETS

	<u>General</u>	<u>Debt Service</u>	<u>Non-Major Special Revenue - Food Services</u>	<u>Total</u>
Cash and cash equivalents	\$ 635,444	\$ -	\$ -	\$ 635,444
Investments	431,041	672,655	-	1,103,696
Due from other governmental units	2,551,108	-	-	2,551,108
Due from other funds	-	-	145,458	145,458
Prepaid expenses	50,436	-	-	50,436
 Total assets	 <u>\$ 3,668,029</u>	 <u>\$ 672,655</u>	 <u>\$ 145,458</u>	 <u>\$ 4,486,142</u>

LIABILITIES AND FUND BALANCE

Liabilities

Accounts payable	\$ 1,331,965	\$ -	\$ -	\$ 1,331,965
Due to other governmental units	-	672,500	-	672,500
Due to other funds	145,458	-	-	145,458
Unearned revenue	24,590	-	-	24,590
Other accrued expenses	259,869	-	-	259,869
 Total liabilities	 1,761,882	 672,500	 -	 2,434,382

Fund Balance

Nonspendable	50,436	-	-	50,436
Restricted	431,041	155	145,458	576,654
Unassigned	1,424,670	-	-	1,424,670
 Total fund balance	 <u>1,906,147</u>	 <u>155</u>	 <u>145,458</u>	 <u>2,051,760</u>
 Total liabilities and fund balance	 <u>\$ 3,668,029</u>	 <u>\$ 672,655</u>	 <u>\$ 145,458</u>	 <u>\$ 4,486,142</u>

See accompanying notes to financial statements

MADISON ACADEMY

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET POSITION OF GOVERNMENTAL ACTIVITIES JUNE 30, 2022

Total Governmental Fund Balances		\$	2,051,760
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$11,565,864 and the accumulated depreciation / amortization is \$4,348,726.			7,217,138
Deferred Outflows of Resources:			
Related to pensions	\$	55,692	
Related to OPEB		<u>26,048</u>	81,740
Deferred Inflows of Resources			
Related to pensions	\$	(10,439)	
Related to OPEB		<u>(12,430)</u>	(22,869)
Net pension obligations are not due and payable in the current period and are not reported as fund liabilities.			(28,934)
Net OPEB obligations are not due and payable in the current period and are not reported as fund liabilities.			(3,216)
Interest is not payable until due in governmental activities and, therefore, is not recorded in the funds.			(36,953)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.			<u>(9,909,059)</u>
Net Position of Governmental Activities		\$	<u>(650,393)</u>

See accompanying notes to financial statements

MADISON ACADEMY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – ALL GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2022

	General	Debt Service	Non-Major Special Revenue - Food Service	Total
Revenues				
Local sources	\$ 252,977	\$ 795	\$ 600	\$ 254,372
State sources	8,270,738	-	9,554	8,280,292
Federal sources	839,122	-	482,140	1,321,262
Interdistrict sources	68,327	-	-	68,327
Total governmental fund revenues	9,431,164	795	492,294	9,924,253
Expenditures				
Instruction				
Basic programs	4,724,128	-	-	4,724,128
Added needs	631,023	-	-	631,023
Support services				
Pupil support services	86,148	-	-	86,148
Instructional staff support services	225,078	-	-	225,078
General administration	971,635	-	-	971,635
School administration	681,603	-	-	681,603
Business support services	1,278	427,064	-	428,342
Operations and maintenance	640,585	-	-	640,585
Pupil transportation services	260,468	-	-	260,468
Other support services	21,471	-	-	21,471
Athletic activities	115,635	-	-	115,635
Food services	-	-	384,915	384,915
Community services	67,916	-	-	67,916
Capital outlay	53,041	-	-	53,041
Debt principal and interest	64,471	10,269,092	-	10,333,563
Total governmental fund expenditures	8,544,480	10,696,156	384,915	19,625,551
Excess (deficiency) of revenues over expenditures	886,684	(10,695,361)	107,379	(9,701,298)
Other Financing Sources (Uses)				
Proceeds from leases and long-term debt	12,741	9,750,000	-	9,762,741
Premium on bond issuance	-	153,684	-	153,684
Operating transfers in	-	791,821	-	791,821
Operating transfers out	(791,821)	-	-	(791,821)
Total other financing sources (uses)	(779,080)	10,695,505	-	9,916,425
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	107,604	144	107,379	215,127
Fund balance - July 1, 2021	1,798,543	11	38,079	1,836,633
Fund balance - June 30, 2022	\$ 1,906,147	\$ 155	\$ 145,458	\$ 2,051,760

See accompanying notes to financial statements

MADISON ACADEMY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2022

Amounts reported for governmental activities in the statement of activities are different because:

Net Change in Fund Balances - Total Governmental Funds	\$	215,127
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation and amortization expense. This is the amount by which capital outlays exceeded depreciation and amortization in the current period.

Capital outlay	\$	53,041	
Depreciation and amortization expense		<u>(364,590)</u>	(311,549)

Certain 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	26,721
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The governmental funds report loan proceeds as an other financing source, while repayment of loan principal is reported as an expenditure. Interest is recognized as an expenditure in the governmental funds when it is due. The net effect of these differences in the treatment of general loan obligations is as follows:

Proceeds from long-term debt	\$	(9,916,425)	
Repayment of loan principal		9,673,383	
Interest expense		<u>35,570</u>	<u>(207,472)</u>

Change in Net Position of Governmental Activities	\$	<u><u>(277,173)</u></u>
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See accompanying notes to financial statements

MADISON ACADEMY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Madison Academy (the “Academy”) conform to generally accepted accounting principles applicable to public school academies. The following is a summary of the significant accounting policies:

Reporting Entity

Madison Academy was formed as a public school academy pursuant to the Michigan School Code of 1976, as amended by Act No. 362 of the Public Acts of 1993 and Act No. 416 of the Public Acts of 1994. The Academy filed articles of incorporation as a nonprofit corporation pursuant to the provisions of the Michigan Nonprofit Corporation Act of 1982, as amended, on March 25, 2004, and began operation in July 2004.

The Academy extended a contract with the Bay Mills Community College Board of Trustees to charter a public school academy through June 30, 2024. 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 College’s 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 state aid as administrative fees. Total administrative fees paid for the year ended June 30, 2022 were approximately \$245,500.

In July 2008, the Academy entered into an agreement with The Romine Group Inc., “TRG” that will run concurrently with the authorizer agreement. The agreement has been subsequently renewed and will continue to run concurrently with the authorizer agreement. Under the terms of this agreement, TRG provides a variety of services including financial management, educational programs and consulting as well as teacher training. The Academy is obligated to pay TRG ten percent of its state aid and federal program funds. The fee shall be no less than \$350,000 or more than \$700,000 during the term of the contract. The total paid for these services amounted to \$700,000 for the year ended June 30, 2022.

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

Fund Financial Statements

Fund financial statements report detailed information about the Academy. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

Basis of Presentation – Fund Accounting

The accounts of the Academy are organized on the basis of funds. The operations of a fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenue and expenditures. Government resources are allocated to and accounted for in individual funds based on 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 generic fund types in two broad fund categories.

MADISON ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Governmental Funds

A governmental fund is a fund through which most 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 a governmental fund.

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 Fund (Food Services) - The special revenue fund, which the Academy does not currently maintain, is used to account for the food service program operations. The special revenue fund is a subsidiary operation and is an obligation of the general fund. Therefore, any shortfall in the special revenue fund will be covered by an operating transfer from the general fund.

Debt Service Fund - The debt service fund is used to record certain revenue and the payment of interest, principal and other expenditures on long-term debt.

Governmental and agency funds utilize the modified accrual basis of accounting. Modifications in such method from the accrual basis are as follows:

- a. Revenue that is both measurable and available for use to finance operations is recorded as revenue when earned. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Academy considers revenues to be available if they are collected within sixty days of the end of the current fiscal period.
- b. Payments for inventoriable types of supplies, which are not significant at year end, are recorded as expenditures at the time of purchase.
- c. Principal and interest of general long-term debt are not recorded as expenditures until their due dates.
- d. The State of Michigan utilizes a foundation allowance funding approach, which provides for specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenue from state sources is primarily governed by the School Aid Act and the School Code of Michigan. The state portion of the foundation is provided from the State's School Aid Fund and is recognized as revenue in accordance with state law. A major portion of the Academy's revenue is derived from this state aid. As such, the Academy is considered to be economically dependent on this aid. The Academy's existence is dependent upon qualification for such aid.

MADISON ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Government-Wide Financial Statements

The government-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This approach differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationships between the government-wide statements and the statements for governmental funds.

The government-wide Statement of Activities presents a comparison between expenses and program revenues for each segment of the business-type activities of the Academy and for each governmental program. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. The Academy does not allocate indirect expenses to programs. In creating the government-wide financial statements the Academy has eliminated inter-fund transactions. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or function is self-financing or draws from the general revenues of the Academy. When both restricted and unrestricted resources are available for use, it is the Academy's policy to use restricted resources first.

Net position should be reported as restricted when constraints placed on net position's use are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The Academy first utilizes restricted resources to finance qualifying activities.

Cash and Cash Equivalents

The Academy's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with maturities of three months or less from the date of acquisition. The Academy reports its investments in accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools and GASB No. 40, Deposit and Investment Risk Disclosures. Under these standards, certain investments are valued at fair value as determined by quoted market prices or by estimated 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. The Academy held investments in mutual funds that invest solely in U.S. Treasury obligations. The funds are held in trust for debt service and capital projects. State statutes authorize the Academy to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, saving accounts, deposit accounts, and or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Corporation or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not 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, and mutual funds composed of investments as outlined above.

MADISON ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Receivables

Receivables at June 30, 2022 consist primarily of state school aid due from the State of Michigan and the federal government. All receivables are expected to be fully collected in July and August of 2022 and are considered current for the purposes of these financial statements.

Prepaid Assets

Payments made to vendors for services that will benefit periods beyond June 30, 2022, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and expenditure is reported in the year in which services are consumed.

Capital Assets and Depreciation

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions or retirements during the year. The Academy follows the policy of not capitalizing assets with a useful life of less than one year. The Academy does not possess any infrastructure assets.

All reported capital assets, with the exception of land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital 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 is computed using the straight-line method over the following useful lives:

Building and improvements	10 – 50 years
Furniture and equipment	5 – 15 years
Computers and software	3 – 10 years

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, the non-current portion of capital leases that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Net Position

Net position represents the difference between assets, deferred outflows, and liabilities, and deferred inflows. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors or laws of regulations of other governments.

MADISON ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fund Equity

The Academy has adopted GASB 54 as part of its fiscal year reporting. The intention of the GASB is to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the Academy's financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on those resources.

GASB 54 provides for two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. This category typically includes prepaid items and inventories.

In addition to nonspendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints.

- a. *Restricted fund balance* – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- b. *Committed fund balance* – amounts constrained to specific purposes by the Board; to be reported as committed, amounts cannot be used for any other purpose unless the Board takes action to remove or change the constraint.
- c. *Assigned fund balance* – amounts the Board intends to use for a specific purpose; intent can be expressed by the Board or by an official or committee to which the Board delegates the authority.
- d. *Unassigned fund balance* – amounts that are available for any purpose; these amounts are reported only in the general fund.

The Academy follows the policy that restricted, committed, or assigned amounts will be considered to have been spent when an expenditure is incurred for purposes for which both unassigned and restricted, committed, or assigned fund balances are available. There are no governmental funds with a deficit.

Leases

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.

MADISON ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

- 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.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term obligations on the statement of net position.

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 amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

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 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Annual budgets are adopted on a consistent basis with accounting principles generally accepted in the United States of America and state law for the general fund. All annual appropriations lapse at fiscal year end and encumbrances are not formally recorded.

MADISON ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - Continued

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. State law requires the Academy to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. The Academy is required by law to adopt general and special revenue fund budgets. During the year ended June 30, 2022 the budget was amended in a legally permissible manner. A comparison of the budget versus actual can be found on page 32 of these financial statements.

NOTE 3 - DEPOSITS AND INVESTMENTS

As of June 30, 2022, the Academy had the following investments:

<u>Type</u>	<u>S&P Rating</u>	<u>Maturities</u>	<u>Carrying Value</u>
Deposits:			
Demand deposits			\$ 635,444
Investments:			
U.S. Treasury and agency obligations	AAAm	Various	<u>1,103,696</u>
Total deposits and investments			<u>\$ 1,739,140</u>

The above amounts are reported in the financial statements as follows:

Deposits:			
Cash - General fund			\$ 635,444
Investments:			
Investments - General fund			431,041
Investments - Debt service fund			<u>672,655</u>
Total deposits and investments			<u>\$ 1,739,140</u>

MADISON ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 3 - DEPOSITS AND INVESTMENTS - Continued

Interest Rate Risk

In accordance with its investment policy, the Academy will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the Academy's cash requirements.

Credit Risk

State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2022, the Academy's investments were rated AAAM by Standards & Poor's and Aaa by Moody's Investors Service.

Concentration of Credit Risk

The Academy will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Academy's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. More than 5% of the Academy's investments are in pooled investment accounts which represent 100% of the Academy's total investments.

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. As of June 30, 2022, \$385,444 of the Academy's cash was exposed to custodial credit risk because it was uninsured. All cash balances were uncollateralized as of June 30, 2022.

Custodial Credit Risk - Investments

For an investment, this 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.

The Academy will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the Academy will do business.

Foreign Currency Risk

The Academy is not authorized to invest in investments which have this type of risk.

MADISON ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 3 - DEPOSITS AND INVESTMENTS - Continued

Fair Value

Generally accepted accounting principles define fair value, establish a framework for measuring fair value, and establish a fair value hierarchy that prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Academy has the ability to access.
- b. Level 2 inputs are inputs (other than quoted prices included within Level 1) that are observable for the asset or liability, either directly or indirectly.
- c. Level 3 are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability. (The observable inputs should be developed based on the best information available in the circumstances and may include the Academy's own data.)

The Academy does not have any investments that are subject to the fair value measurement.

NOTE 4 – DUE FROM OTHER GOVERNMENTAL UNITS

Amounts due from other governmental units consist of the following:

Local sources	\$ 208,112
State sources	1,580,353
Federal sources	<u>762,643</u>
Total	<u>\$ 2,551,108</u>

MADISON ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 5 - CAPITAL ASSETS

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

	As Restated Balance July 1, 2021	Additions	Disposals	Balance June 30, 2022
Capital assets not subject to depreciation				
Land	\$ 30,000	\$ -	\$ -	\$ 30,000
Capital assets subject to depreciation / amortization				
Right to use assets	62,164	12,741	62,164	12,741
Building	10,335,010	9,698	-	10,344,708
Equipment	<u>1,147,813</u>	<u>30,602</u>	<u>-</u>	<u>1,178,415</u>
Total asset cost basis	11,574,987	53,041	62,164	11,565,864
Accumulated depreciation / amortization				
Right to use assets	-	63,226	62,164	1,062
Building	3,030,140	259,160	-	3,289,300
Equipment	<u>1,016,160</u>	<u>42,204</u>	<u>-</u>	<u>1,058,364</u>
Sub-total	<u>4,046,300</u>	<u>364,590</u>	<u>62,164</u>	<u>4,348,726</u>
Total net capital assets	<u>\$ 7,528,687</u>	<u>\$ (311,549)</u>	<u>\$ -</u>	<u>\$ 7,217,138</u>

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

NOTE 6 – OTHER ACCRUED EXPENSES

Other accrued expenses may be summarized as follows:

	Net Position	Funds
Accrued expenses	\$ 184,923	\$ 184,923
Management fee	30,188	30,188
University oversight fee	44,758	44,758
Interest	<u>36,953</u>	<u>-</u>
Total other accrued expenses	<u>\$ 296,822</u>	<u>\$ 259,869</u>

MADISON ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 7 - LONG-TERM OBLIGATIONS PAYABLE

Long-term obligations as of June 30, 2022 can be summarized as follows:

Loan Information

	Interest Rate	Maturity Date	Other
Direct borrowing - equipment	3.00%	December, 2026	
Direct borrowing - buses	3.00%	June, 2022	
Revenue bond 1	8.29%	June, 2040	Collateralized by a mortgage on the Academy's facility as well as a pledge for 20% of the state school aid payments and funds held in trust for debt service. MFA contribution of \$668,856. Refinanced with 2021 issuance.
Revenue bond 2	8.25%	June, 2040	Collateralized by a mortgage on the Academy's facility as well as a pledge for 20% of the state school aid payments and funds held in trust for debt service. MFA contribution of \$354,010. Refinanced with 2021 issuance.
Revenue bond 3	Average 4.63%	December, 2046	Collateralized by a mortgage on the Academy's facilities as well as a pledge for 20% of the state school aid payments and funds held in trust for debt service. Refinanced the previous 2010 issuances.

Loan Activity

	As Restated Balance July 1, 2021	Additions	Retirements and Payments	Balance June 30, 2022	Due Within One Year
Direct borrowing - equipment	\$ -	\$ 12,741	\$ 1,219	\$ 11,522	\$ 2,428
Direct borrowing - buses	62,164	-	62,164	-	-
Revenue bond 1	6,255,000	-	6,255,000	-	-
Revenue bond 2	3,355,000	-	3,355,000	-	-
Revenue bond 3	-	9,750,000	-	9,750,000	195,000
	<u>\$ 9,672,164</u>	<u>\$ 9,762,741</u>	<u>\$ 9,673,383</u>	9,761,522	<u>\$ 197,428</u>
Premium on bond issuance				<u>147,537</u>	
Total long-term obligations				<u>\$ 9,909,059</u>	

MADISON ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 7 - LONG-TERM OBLIGATIONS PAYABLE – Continued

Following are maturities of long-term obligations for principal and interest for the next five years and in total:

	<u>Principal</u>	<u>Interest</u>
2023	\$ 197,428	\$ 433,459
2024	237,502	424,248
2025	247,578	413,972
2026	257,656	403,268
2027	266,358	392,246
2028 - 2032	1,510,000	1,777,815
2033 - 2037	1,855,000	1,421,346
2038 - 2042	2,290,000	975,209
2043 - 2046	2,900,000	346,006

NOTE 8 – DEFINED BENEFIT PENSION PLAN

Plan Description

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

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

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

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

MADISON ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 8 – DEFINED BENEFIT PENSION PLAN - Continued

Benefits Provided

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

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

Contributions

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2020 valuation will be amortized over an 18-year period beginning 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 \$3,670 for the year ended September 30, 2021.

MADISON ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 8 – DEFINED BENEFIT PENSION PLAN - Continued

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 \$28,934 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2020. The Academy's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2021, the Academy's proportion was .0000012221 percent, which was an increase of 100 percent from its proportion measured as of September 30, 2020.

For the year ending June 30, 2022, the Academy recognized pension expense of \$11,196. At June 30, 2022, the Academy reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 448	\$ 170
Changes of assumptions	1,824	-
Net difference between projected and actual earnings on pension plan investments	-	9,302
Changes in proportion and differences between Academy contributions and proportionate share of contributions	28,351	967
Academy contributions subsequent to the measurement date	<u>25,069</u>	<u>-</u>
Total	<u>\$ 55,692</u>	<u>\$ 10,439</u>

MADISON ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 8 – DEFINED BENEFIT PENSION PLAN - Continued

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

<u>Year Ended</u> <u>June 30,</u>	<u>Amount</u>
2022	\$ 7,156
2023	6,342
2024	5,715
2025	971

Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Summary of Actuarial Assumptions

Valuation Date	September 30, 2020
Actuarial Cost Method	Entry Age, Normal
Wage Inflation Rate	2.75 %
Investment Rate of Return	
MIP and Basic Programs	6.80 %
Pension Plus Plan	6.80 %
Pension Plus 2 Plan	6.00 %
Projected Salary Increases (including wage inflation at 2.75%):	2.75 - 11.55 %
Cost-of-Living Pension Adjustments	3% Annual Non-Compounded for MIP Members

MADISON ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 8 – DEFINED BENEFIT PENSION PLAN - Continued

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: P-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection sale 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, 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: 4.4367

Recognition period for assets in years: 5.0000

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

Long-Term Expected Return on Plan Assets

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

MADISON ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 8 – DEFINED BENEFIT PENSION PLAN - Continued

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
Reak Return / Opportunistic Pools	12.5	6.1
Short Term Investment Pools	2.0	-1.3
Total	100.0 %	

*Long term rate of return does not include 2.3% 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, hybrid plans provided through non-university employers only). This discount rate was based on the long-term expected rate of return on pension plan investments of 6.80% (6.80% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

MADISON ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 8 – 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 the discount rate of 6.80% (6.80% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan), as well as what the Academy’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

1% Decrease	Current Single Discount Rate Assumption	1% Increase
5.80% / 5.80% / 5.00%	6.80% / 6.80% / 6.00%	7.80% / 7.80% / 7.00%
\$ 41,367	\$ 28,934	\$ 18,625

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

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

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description

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

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

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

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

MADISON ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) - Continued

Benefits Provided

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

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

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

Contributions

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

Employer OPEB contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2020 valuation will be amortized over a 18-year period beginning October 1, 2020 and ending September 30, 2038.

MADISON ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) - Continued

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

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 \$1,564 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 \$3,216 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2020. The Academy's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2021, the Academy's proportion was .0000021067 percent, which was an increase of 100 percent from its proportion measured as of October 1, 2020.

For the year ending June 30, 2022, the Academy recognized OPEB expense of \$710. At June 30, 2022, the Academy reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 9,179
Changes of assumptions	2,688	402
Net difference between projected and actual earnings on OPEB plan investments	-	2,424
Changes in proportion and differences between Academy contributions and proportionate share of contributions	13,290	425
Academy contributions subsequent to the measurement date	<u>10,070</u>	<u>-</u>
Total	<u>\$ 26,048</u>	<u>\$ 12,430</u>

MADISON ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) - Continued

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

<u>Year Ended</u> <u>June 30,</u>	<u>Amount</u>
2022	\$ 84
2023	288
2024	471
2025	610
2026	1,851
Thereafter	244

Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Valuation Date	September 30, 2020
Actuarial Cost Method	Entry Age, Normal
Wage Inflation Rate	2.75 %
Investment Rate of Return	6.95 %
Projected Salary Increases (including wage inflation at 2.75%):	2.75 - 11.55 %
Healthcare Cost Trend Rate	
	Post-65: 7.75% Year 1 graded to 3.5% Year 15; 3.0% Year 120
	Pre-65: 7.75% 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 Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection sale MP-2017 from 2006.

MADISON ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) - Continued

Other Assumptions

Opt-Out Assumption: 21% of eligible participants hired before July 1, 2018 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

Coverage Election at Retirement: 75% of male and 60% of female future retirees are assumed to elect coverage for one 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 OPEB 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: 6.132

Recognition period for assets in years: 5.0000

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

Long-term Expected Return on Plan Assets

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

MADISON ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) - Continued

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 rates are net of administrative expenses and 2.1% 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 the discount rate of 6.95%, as well as what the Academy's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher:

1% Decrease 5.95%	Current Discount Rate 6.95%	1% Increase 7.95%
\$ 5,975	\$ 3,216	\$ 874

MADISON ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
 FOR THE YEAR ENDED JUNE 30, 2022

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) - Continued

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

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

	Current Healthcare Cost	
<u>1% Decrease</u>	<u>Trend Rate</u>	<u>1% Increase</u>
\$ 783	\$ 3,216	\$ 5,953

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.gov/orsschools.

NOTE 10 - RETIREMENT PLAN

All employees leased by the Academy are eligible to participate in a retirement plan established by TRG which qualifies under the provisions of Section 401(k) of the Internal Revenue Code. The employer under this plan will contribute 4% of salaries regardless of the amount of the employee contribution. The employer will additionally match up to 4% of employee contributed funds. Eligible employees may contribute up to 15% of their salaries under the terms of this plan.

NOTE 11 - INTERFUND TRANSFERS

During the normal course of the school year the Academy transferred amounts between its major funds as follows:

	<u>General</u>	<u>Debt Service</u>
Transfer In	\$ -	\$ 791,821
Transfer Out	791,821	-

As stipulated by the Academy's revenue bond agreement as described in Note 7, the Academy must transfer 20% of its state aid to a trustee. The trustee retains the required portion for debt service and returns the remainder to the Academy. These above transactions account for the major activity in the Academy's interfund transfer accounts.

MADISON ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 12 - RISK MANAGEMENT

The Academy is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (worker's compensation), as well as medical benefits provided to employees. The Academy has purchased commercial insurance for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 13 – 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.

The restatement of the beginning of the year balances had no impact on net position. The changes to capital assets and long-term obligations is as follows:

	<u>Capital Assets</u>	<u>Long Term Obligations</u>
Balances as of July 1, 2021, as previously stated	\$ 7,466,523	\$ 9,610,000
Adoption of GASB Statement 87	<u>62,164</u>	<u>62,164</u>
Balances as of July 1, 2021, as restated	<u>\$ 7,528,687</u>	<u>\$ 9,672,164</u>

SUPPLEMENTARY INFORMATION

MADISON ACADEMY

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2022

	Original Budget	Final Budget	Actual	Variance
Revenues				
Local sources	\$ 17,000	\$ 250,667	\$ 252,977	\$ 2,310
State sources	7,938,040	8,327,851	8,270,738	(57,113)
Federal sources	656,000	1,413,762	839,122	(574,640)
Interdistrict sources	-	67,225	68,327	1,102
Total general fund revenues	8,611,040	10,059,505	9,431,164	(628,341)
Expenditures				
Instruction				
Basic programs	4,132,919	5,066,958	4,724,128	(342,830)
Added needs	518,598	974,314	631,023	(343,291)
Support services				
Pupil support services	119,163	84,686	86,148	1,462
Instructional staff support services	108,000	52,548	225,078	172,530
General administration	995,950	1,022,350	971,635	(50,715)
School administration	697,797	701,991	681,603	(20,388)
Business support services	1,000	1,600	1,278	(322)
Operations and maintenance	565,151	874,794	640,585	(234,209)
Pupil transportation services	252,465	330,930	260,468	(70,462)
Other support services	14,000	40,500	21,471	(19,029)
Athletic activities	111,413	118,213	115,635	(2,578)
Community services	4,606	68,600	67,916	(684)
Capital outlay	-	-	53,041	53,041
Debt principal and interest	-	-	64,471	64,471
Total general fund expenditures	7,521,062	9,337,484	8,544,480	(793,004)
Excess (deficiency) of revenues over expenditures	1,089,978	722,021	886,684	164,663
Other Financing Sources (Uses)				
Proceeds from long-term debt	-	-	12,741	12,741
Operating transfers out	(1,026,000)	(807,000)	(791,821)	15,179
Total other financing sources (uses)	(1,026,000)	(807,000)	(779,080)	27,920
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	63,978	(84,979)	107,604	192,583
Fund balance - July 1, 2021	1,798,543	1,798,543	1,798,543	-
Fund balance - June 30, 2022	\$ 1,862,521	\$ 1,713,564	\$ 1,906,147	\$ 192,583

MADISON ACADEMY

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF MADISON ACADEMY'S PROPORTIONATE SHARE OF THE NET PENSION
LIABILITY MICHIGAN PUBLIC SCHOOL EMPLOYEE'S RETIREMENT SYSTEM
DETERMINED AS OF THE PLAN YEAR ENDED SEPTEMBER 30, 2021

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

	<u>2021</u>
Academy's proportion of net pension liability (%)	0.0001222%
Academy's proportionate share of net pension liability	\$ 28,934
Academy's covered-employee payroll	\$ 18,552
Academy's proportionate share of net pension liability as a percentage of its covered- employee payroll	155.96%
Plan fiduciary net position as a percentage of total pension liability	52.26%

MADISON ACADEMY

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF MADISON ACADEMY'S CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEE'S RETIREMENT SYSTEM
DETERMINED AS OF THE YEAR ENDED JUNE 30, 2022

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

	<u>2022</u>
Statutorily required contributions	\$ 28,739
Contributions in relation to statutorily required contributions	<u>28,739</u>
Contribution deficiency/(excess)	-
Academy's covered-employee payroll	\$ 143,027
Contributions as a percentage of covered-employee payroll	20.09%

MADISON ACADEMY

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF MADISON ACADEMY'S PROPORTIONATE SHARE OF THE NET OPEB
LIABILITY MICHIGAN PUBLIC SCHOOL EMPLOYEE'S RETIREMENT SYSTEM
DETERMINED AS OF THE PLAN YEAR ENDED SEPTEMBER 30, 2021

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

	<u>2021</u>
Academy's proportion of net OPEB liability (%)	0.00021067%
Academy's proportionate share of net OPEB liability	\$ 3,216
Academy's covered-employee payroll	\$ 18,552
Academy's proportionate share of net OPEB liability as a percentage of its covered- employee payroll	17.34%
Plan fiduciary net position as a percentage of total OPEB liability	87.33%

MADISON ACADEMY

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF MADISON ACADEMY'S OPEB CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEE'S RETIREMENT SYSTEM
DETERMINED AS OF THE YEAR ENDED JUNE 30, 2022

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

	<u>2022</u>
Statutorily required OPEB contributions	\$ 11,634
OPEB Contributions in relation to statutorily required contributions	<u>\$ 11,634</u>
Contribution deficiency/(excess)	<u>\$ -</u>
Academy's covered-employee payroll	\$ 143,027
OPEB Contributions as a percentage of covered-employee payroll	8.13%

MADISON ACADEMY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES FOR THE YEAR ENDED JUNE 30, 2022

Defined Benefit Pension Plan

Benefit Changes - See Note 8 to the financial statements for discussion of benefit terms and assumptions.

Changes in Assumptions - See Note 8 to the financial statements for discussion of benefit terms and assumptions.

Postemployment Benefits Other Than Pensions (OPEB)

Benefit Changes - See Note 9 to the financial statements for discussion of benefit terms and assumptions.

Changes in Assumptions - See Note 9 to the financial statements for discussion of benefit terms and assumptions.

MADISON ACADEMY

SCHEDULE OF REVENUES – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2022

Local Sources

Authorizer grant	\$	2,350
Earnings on investments		149
Other local revenues		<u>250,478</u>
Total local sources		252,977

State Sources

At risk		309,637
Great start readiness program		110,875
Special education		94,589
State aid		<u>7,755,637</u>
Total state sources		8,270,738

Federal Sources

IDEA		152,823
Title I		210,904
Title II A		17,942
Title IV		9,287
Other program revenue		<u>448,166</u>
Total federal sources		839,122

Interdistrict Sources

		<u>68,327</u>
Total general fund revenues	\$	<u><u>9,431,164</u></u>

MADISON ACADEMY

SCHEDULE OF EXPENDITURES – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2022

Basic Programs

Purchased services	\$ 4,073,214
Supplies and materials	394,387
Other expenditures	<u>256,527</u>
Total basic programs	4,724,128

Added Needs

Purchased services	629,463
Supplies and materials	<u>1,560</u>
Total added needs	631,023

Pupil Support Services

Psychological services	6,486
Speech pathology and audiology	26,589
Social work services	<u>53,073</u>
Total pupil support services	86,148

Instructional Staff Support Services

Purchased services	76,971
Supplies and materials	128,652
Other expenditures	<u>19,455</u>
Total instructional staff support services	225,078

General Administration

Purchased services	9,844
Management fees	700,000
University oversight	245,457
Other purchased services	14,334
Other expenditures	<u>2,000</u>
Total general administration	971,635

School Administration

Purchased services	653,916
Supplies and materials	21,316
Other expenditures	<u>6,371</u>
Total school administration	681,603

MADISON ACADEMY

SCHEDULE OF EXPENDITURES – GENERAL FUND - CONTINUED FOR THE YEAR ENDED JUNE 30, 2022

Business Support Services

Other expenditures	1,278
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Operations and Maintenance

Purchased services	280,900
Repairs and maintenance	180,779
Other purchased services	61,484
Supplies and materials	117,422

Total operations and maintenance	640,585
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Pupil Transportation Services

Purchased services	157,674
Repairs and maintenance	38,149
Supplies and materials	61,805
Other expenditures	2,840

Total pupil transportation services	260,468
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Other Support Services

Other expenditures	21,471
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Athletic Activities

Purchased services	29,814
Supplies and materials	65,375
Other expenditures	20,446

Total athletic activities	115,635
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Community Services

Purchased services	67,916
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Capital Outlay

53,041

Debt Principal and Interest

64,471

Total general fund expenditures	\$ 8,544,480
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