Greater Heights Academy

Financial Statements

June 30, 2019

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Greater Heights Academy
Members of the Board of Directors and Administration
June 30, 2019

Members of the Board of Directors

Matthew P. Barcey	President
Marvin L. Miller	Vice President
Thomas A. Tucker	Secretary
Edward D. Rodden	Treasurer
Jennifer L. Burns	Trustee

Administration

Tia Doyle	Academy Director
Russell Bedford	Assistant Director
Mary Mitchell	Finance Director
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Independent Auditors' Report

To the Board of Directors
Greater Heights Academy
Flint, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major funds, and the aggregate remaining fund information of Greater Heights Academy, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' 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 auditors' 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 aggregate remaining fund information of Greater Heights Academy, as of June 30, 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters:

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 4, 2019 on our consideration of Greater Heights Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Greater Heights Academy's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Greater Heights Academy's internal control over financial reporting and compliance.

Yeo & Yeo, P.C.

Flint, Michigan
September 4, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

GREATER HEIGHTS ACADEMY

Greater Heights Academy, a K-6 Academy located in Genesee County, Michigan, has completed its sixth year with the enclosed financial statements. In addition to the statements, a comparative analysis of government-wide data is also provided.

The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be Greater Heights Academy's discussion and analysis of the financial results for the fiscal year ended June 30, 2019. Generally Accepted Accounting Principles (GAAP) according to GASB 34 requires the reporting of two types of financial statements: District-wide Financial Statements and Fund Financial Statements.

Using this Annual Report

The accompanying financial statements are presented in accordance with the reporting model as prescribed in GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis for State & Local Governments. The following components are required:

- Management's Discussion and Analysis
- Basic Financial Statements, including *Statement of Net Position, Statement of Activities* and *Fund Financial Statements*
- Notes to the Financial Statements
- Required Supplementary Information

Management's Discussion and Analysis is a narrative insight to the past and present financial condition of Greater Heights Academy. This summary does not take the place of the comprehensive financial statements and other supplemental information following this narrative.

Reporting the School District as a Whole

The financial statements provide information about the activities of Greater Heights Academy, presenting both an aggregate view of the finances and a longer-term view of those finances. These statements use the full accrual basis of accounting similar to that used by companies in the private sector. The two statements are the Statement of Net Position and the Statement of Activities, which appear first in the financial statements. The Statement of Net Position includes all of Greater Heights Academy's assets and liabilities, regardless if they are short-term or long-term. The Statement of Activities includes all of the current year's revenues and expenses, regardless of when cash is received or paid.

These two statements report Greater Heights Academy's net position - the difference between assets and liabilities - as one way to measure financial health or financial position. Over time, increases or decreases in the net position - as reported in the Statement of Activities - are indicators of whether financial health is improving or deteriorating. The relationship between revenues and expenses denotes the operating results. However, Greater Heights Academy's goal is to provide exceptional student service, not to generate profits. One must also consider non-financial factors, such as the quality of the education provided and the condition of the Academy's facilities, to assess the overall health of Greater Heights Academy.

Reporting Greater Heights Academy's Most Significant Funds - Fund Financial Statements

The fund statements for Greater Heights Academy focus on major funds rather than on fund types. Consistent with previous years, the fund statements are reported using the modified accrual method of accounting. Under this basis of accounting, revenues are recorded when received except where they are measurable and available, and thus represent resources that may be appropriated. Expenditures are accounted for in the period that goods and services are used in school programs. In addition, capital asset purchases are expensed and not recorded as an asset. Debt payments are recorded as expenditures in the current year, and future debt obligations are not recorded.

Greater Heights Academy's fund financial statements provide detailed information about the most significant funds - not the School District as a whole. Funds are accounting devices that Greater Heights Academy uses to keep track of specific sources of funding and spending for particular purposes. The fund financial statements tell how services were financed in the short-term as well as what remains for future spending. The statements provide information about Greater Heights Academy's most significant fund - the General Fund. The other fund includes the Special Revenue Fund, which is presented as a Non-major fund. The Special Revenue Fund accounts for revenues and expenditures related to the student breakfast, lunch, and snack programs at Greater Heights Academy. The General Fund will continue to be used primarily to account for the general education requirements of Greater Heights Academy. The revenues for Greater Heights Academy are derived primarily from State Aid, as well as from federal, state, and local grants.

Reporting Greater Heights Academy's Fiduciary Responsibilities – Greater Heights Academy as Trustee

Greater Heights Academy is the trustee, or fiduciary, for its student activity funds. All of the fiduciary activities are reported in separate statements of fiduciary assets and liabilities. Greater Heights Academy is responsible for ensuring that the assets reported in these funds are used for their intended purposes. Agency funds are custodial in nature – assets equal liabilities – and do not involve measurement of results of operations. These activities are excluded from Greater Heights Academy's other financial statements since Greater Heights Academy cannot use these assets to finance its operations.

Financial Analysis of Greater Heights Academy as a Whole

The statement of net position shows the perspective of Greater Heights Academy as a whole, including the net pension and postemployment benefits liabilities. As required by the Governmental Accounting Standards Board (GASB), Greater Heights Academy adopted GASB Statements No. 68 and 71, which includes Greater Heights Academy's proportionate share of the Michigan Public School Employees Retirement System within the financial statements, for the fiscal year beginning July 1, 2014. In addition, Greater Heights Academy implemented GASB Statement Number 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, for the fiscal year beginning July 1, 2017. All governments participating in MPSERS were required to adopt GASB 68, 71, and 75. This data is shown in the financial statements with the related deferred inflows and outflows and resulted in a net decrease of $139,118 in the June 30, 2019 net position. The data for the proportionate share of the retirement plan continues to be reflected in the current statements, as shown in Table 1.

Table 1 provides a summary of Greater Heights Academy's net position as of fiscal years ending June 30, 2019 and 2018, respectively.

Table 1 - Summary of Net Position:

Assets	**Fiscal 2019**	**Fiscal 2018**
Current and other assets	$ 1,054,911	$ 1,015,625
Capital assets - net of accumulated depreciation	130,551	174,891
Total Assets	$ 1,185,462	$ 1,190,516
Deferred outflows of resources	$ 507,930	$ 343,729
Total assets and deferred outflows of resources	$ 1,693,392	$ 1,534,245
Liabilities		
Current liabilities	$ 253,228	$ 199,598
Long-term - Due within one year	7,000	0
Long-term - Due in more than one year	5,050	20,225
Net Pension and OPEB Liability	1,415,174	1,219,978
Total Liabilities	$ 1,680,452	$ 1,439,801
Deferred inflows of resources	$ 157,121	$ 99,507
Total liabilities and deferred inflows of resources	$ 1,837,573	$ 1,539,308

Net Position

Net investment in capital assets	$ 130,551	$ 174,891
Restricted for food service	23,222	21,502
Unrestricted	(297,954)	(201,456)
Total Net Position	$ (144,181)	$ (5,063)

Net Position is a combination of unrestricted funds, funds available for capital assets, plus capital assets at original cost, less accumulated depreciation and related debt. The accumulated depreciation is the accumulation of depreciation expense since acquisition. As of June 30, 2019, Greater Heights Academy's net capital assets were $130,551, restricted amount for food service was $23,222, and the remaining deficit of $297,954 was unrestricted. The unrestricted net position represents the accumulated results of all past year's operations. The operating results of the General Fund will have a significant impact on change in unrestricted net position from year to year.

Statement of Activities

The results of this year's operations for Greater Heights Academy are reported in the statement of activities, and in a more condensed format in Table 2. A revenue and expense comparison of fiscal years ending June 30, 2019 and 2018, respectively, is also reported.

Table 2 - Results of Activities:

Fiscal Year:	**Fiscal 2019**	**Fiscal 2018**
Net Revenues:		
General Revenues:		
State Aid - Unrestricted	$2,092,440	$2,150,181
Interest & Investment Earnings	6,176	550
Food Services	6,720	8,036
Other	7,000	1,371
Total	$2,112,336	$2,160,138
Net Expenses:		
Instruction	$ 813,090	$ 747,149
Support Services	1,433,294	1,405,360
Community Services	5,070	1,494
Total	$ 2,251,454	$ 2,154,003
Change in net position	**$ (139,118)**	**$ 6,135**
Net Position – beginning	**(5,063)**	**(11,198)**
Net Position - ending	**$ (144,181)**	**$ (5,063)**

Analysis of Financial Position

A few significant factors affecting the net position of the year are as follows:

General Fund Operations
The General Fund generated a net deficit of $16,064.

Special Revenue Fund Operations
The Special Revenue Fund generated a net increase of $1,720.

Capital Outlay
Capital acquisitions totaled $0.

Depreciation Expense
Depreciation expense is recorded on a straight-line basis over the estimated useful life of the asset. In accordance with generally accepted accounting principles, depreciation expense is recorded based on the original cost of the asset less an estimated salvage value. For the fiscal year ended June 30, 2019, the net depreciation expense was $44,340.

Greater Heights Academy's Funds

As Greater Heights Academy completed this year, the governmental funds reported a combined fund balance of $801,683, with the General Fund accounting for $778,461 and the Special Revenue Fund accounting for $23,222.

We experienced a student decrease of approximately 15 students from the prior year. However, Greater Heights Academy maintains a strong fund balance in excess of 25% to cover any unforeseen, temporary fluctuations in operations or student counts. Expenditures were also reduced to compensate for the reduced funding.

A couple of significant factors affecting the total governmental fund balance are the following:

General Operating Fund
Greater Heights Academy's expenditures from General Fund operations exceeded revenues by $16,064 for the fiscal year ended June 30, 2019.

Special Revenue Fund
The student meal program accounted for by the Special Revenue Fund is subsidized by General Fund operations; any shortfalls, if required, are transferred in from this fund. This year, the revenue from the Special Revenue Fund exceeded expenditures by $1,720 for the fiscal year ended June 30, 2019. No transfers to subsidize this fund were necessary.

Revenues by Sources - All Funds

State of Michigan Unrestricted Aid (State Foundation Grant)
The foundation allowance is determined annually by the State of Michigan using the following variables:

- State of Michigan State Aid Act per student foundation allowance
- Student enrollment blended at 90% of the current year fall count and 10% of the prior year spring count, plus Section 25e transfer adjustments

Per Student Foundation Allowance

Greater Heights Academy's blended student enrollment (State Aid Membership) for the 2018 - 2019 school year was 267.37. Preliminary total student enrollment for the 2019 – 2020 school year is projected to be approximately 265 students.

Changes from Original to Final Budget

The Uniform Budget Act of the State of Michigan requires that the Greater Heights Academy Board of Directors approve the original budget prior to July 1st, the start of the fiscal year. A schedule showing Greater Heights Academy's original and final budget amounts compared with amounts actually paid and received is provided in the required supplemental information of these financial statements.

General Fund

	Original Budget	Final Budget	Change
Revenues/Transfers In	$2,964,450	$2,713,364	($251,086)
Expenditures	$2,948,566	$2,788,203	($160,363)

The variation from original to final budgeted revenues is primarily due to a decrease in state aid revenue as a result of reduced student enrollment. Expenditures were decreased to compensate for the reduced student revenue available. The final actual numbers compare favorably with the final approved budget, showing minimal differences when comparing the individual budget line items and demonstrating strong fiscal oversight and control of the budget.

Economic Factors and Next Year's Budgets and Rates

The administration considered many factors when determining Greater Heights Academy’s 2019 fiscal year budget. One of the most important factors is the student count, since the state foundation revenue is determined by the blended student count that was discussed earlier. Approximately 88% of total General Fund revenues are from State Sources. Revenues are thus heavily dependent on the State's ability to fund local operations. When the fall student count is completed and the related per pupil funding is validated, the budget for Greater Heights Academy is amended to reflect the revised funding anticipated.

Since Greater Heights Academy's revenue depends on State funding and the health of the State School Aid fund, the actual revenue received therefore depends on the State's ability to collect revenues to fund its appropriations to Districts. The State periodically holds revenue-estimating conferences to evaluate its ability to fund obligations. Should state revenues fall below previous estimates, a statewide proration of the Foundation Allowance to Districts could occur. If a reduction in State Aid funding resulted, an appropriate budget adjustment would be made to reflect the revised financial situation.

Contacting Greater Heights Academy's Financial Management

This financial report is designed to provide a general overview of Greater Heights Academy's finances, and to demonstrate Greater Heights Academy's accountability for the money it receives. If there are any questions about this report, or if additional financial information is needed, please contact Greater Heights Academy's Finance Department at 3196 W. Pasadena Avenue, Flint, MI 48504.

BASIC FINANCIAL STATEMENTS

Greater Heights Academy
Statement of Net Position
June 30, 2019

	Governmental Activities
Assets	
Cash	$ 408,606
Due from other governmental units	487,951
Prepaid items	58,354
Investments	100,000
Capital assets - net of accumulated depreciation	130,551
Total assets	1,185,462
Deferred outflows of resources	
Deferred amount relating to the net pension liability	435,088
Deferred amount relating to the net OPEB liability	72,842
Total deferred outflows of resources	507,930
Total assets and deferred outflows of resources	$ 1,693,392

See Accompanying Notes to the Financial Statements

Greater Heights Academy
Statement of Net Position
June 30, 2019

	Governmental Activities
Liabilities	
Payroll deductions and withholdings	31,070
Accrued expenditures	16,887
Accrued salaries payable	182,124
Unearned revenue	23,147
Long-term liabilities	
Due within one year	7,000
Net pension liability	1,116,090
Net OPEB liability	299,084
Debt due within more than one year	5,050
Total liabilities	1,680,452
Deferred inflows of resources	
Deferred amount relating to the net pension liability	88,570
Deferred amount relating to the net OPEB liability	68,551
Total deferred inflows of resources	157,121
Total liabilities and deferred inflows of resources	1,837,573
Net Position	
Net investment in capital assets	130,551
Restricted for:	
Food service	23,222
Unrestricted (deficit)	(297,954)
Total net position	$ (144,181)

Greater Heights Academy
Statement of Activities
For the Year Ended June 30, 2019

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Functions/Programs				
Governmental activities				
Instruction	$ 1,070,910	$ -	$ 257,820	$ (813,090)
Supporting services	1,786,161	-	352,867	(1,433,294)
Food services	232,660	-	239,380	6,720
Community services	5,070	-	-	(5,070)
Total governmental activities	$ 3,094,801	$ -	$ 850,067	(2,244,734)
General revenues				
State aid - unrestricted				2,092,440
Interest and investment earnings				6,176
Other				7,000
Total general revenues				2,105,616
Change in net position				(139,118)
Net position - beginning				(5,063)
Net position - ending				$ (144,181)

See Accompanying Notes to the Financial Statements

Greater Heights Academy
Governmental Funds
Balance Sheet
June 30, 2019

	General Fund	Food Service Fund	Total Governmental Funds
Assets			
Cash	$ 408,606	$ -	$ 408,606
Due from other funds	-	6,078	6,078
Due from other governmental units	471,012	16,939	487,951
Investments	100,000	-	100,000
Prepaid items	58,149	205	58,354
Total assets	$ 1,037,767	$ 23,222	$ 1,060,989
Liabilities and Fund Balance			
Liabilities			
Due to other funds	$ 6,078	$ -	$ 6,078
Payroll deductions and withholdings	31,070	-	31,070
Accrued expenditures	16,887	-	16,887
Accrued salaries payable	182,124	-	182,124
Unearned revenue	23,147	-	23,147
Total liabilities	259,306	-	259,306
Fund Balance			
Non-spendable:			
Prepaid items	58,149	205	58,354
Unassigned	720,312	23,017	743,329
Total fund balance	778,461	23,222	801,683
Total liabilities and fund balances	$ 1,037,767	$ 23,222	$ 1,060,989

See Accompanying Notes to the Financial Statements

Greater Heights Academy
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2019

Total fund balances for governmental funds	$	801,683
Total net position for governmental activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Capital assets - net of accumulated depreciation		130,551
Deferred outflows (inflows) of resources		
Deferred inflows of resources resulting from the net pension liability		(88,570)
Deferred outflows of resources resulting from the net pension liability		435,088
Deferred inflows of resources resulting from the net OPEB liability		(68,551)
Deferred outflows of resources resulting from the net OPEB liability		72,842
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.		
Net pension liability		(1,116,090)
Net OPEB liability		(299,084)
Compensated absences		(12,050)
Net position of governmental activities	$	(144,181)

See Accompanying Notes to the Financial Statements

Greater Heights Academy
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2019

	General Fund	Food Service Fund	Total Governmental Funds
Revenues			
Local sources	$ 28,938	$ -	$ 28,938
State sources	2,390,880	11,560	2,402,440
Federal sources	296,485	227,820	524,305
Total revenues	2,716,303	239,380	2,955,683
Expenditures			
Current			
Education			
Instruction	1,024,141	-	1,024,141
Supporting services	1,708,156	-	1,708,156
Food services	-	232,660	232,660
Community services	5,070	-	5,070
Total expenditures	2,737,367	232,660	2,970,027
Excess (deficiency) of revenues over expenditures	(21,064)	6,720	(14,344)
Other Financing Sources (Uses)			
Transfers in	5,000	-	5,000
Transfers out	-	(5,000)	(5,000)
Total other financing sources (uses)	5,000	(5,000)	-
Net change in fund balance	(16,064)	1,720	(14,344)
Fund balance - beginning	794,525	21,502	816,027
Fund balance - ending	$ 778,461	$ 23,222	$ 801,683

Greater Heights Academy
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2019

Net change in fund balances - Total governmental funds	$ (14,344)
Total change in net position reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation expense	(44,340)
Expenses are recorded when incurred in the statement of activities.	
Compensated absences	8,175
The statement of net position reports the net pension liability and deferred outflows of resources and deferred inflows related to the net pension liability and pension expense. However, the amount recorded on the governmental funds equals actual pension contributions	
Net change in net pension liability	(204,313)
Net change in deferred inflow of resources related to the net pension liability	109,418
The statement of net position reports the net OPEB liability and deferred outflows of resources and deferred inflows related to the net OPEB liability and OPEB expense. However, the amount recorded on the governmental funds equals actual OPEB contributions	
Net change in net OPEB liability	9,117
Net change in deferred inflow of resources related to the net OPEB liability	(2,831)
Change in net position of governmental activities	$ (139,118)

Greater Heights Academy
Fiduciary Funds
Statement of Fiduciary Assets and Liabilities
June 30, 2019

	Agency Funds
Assets	
Cash	$ 2,720
Liabilities	
Due to agency fund activities	$ 2,720

See Accompanying Notes to the Financial Statements

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Greater Heights Academy (Academy) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the Academy's significant accounting policies:

Reporting Entity
The Academy was formed as a charter school academy pursuant to the Michigan School Code of 1976, as amended by Act No. 362 of the Public Acts of 1993 and Act No. 416 of the Public Acts of 1994.

On June 6, 2018, the Academy entered into a five-year contract with Central Michigan University (CMU) to charter a public school academy. The contract requires the Academy to act exclusively as a governmental agency and not undertake any action inconsistent with its status as an entity authorized to receive state school aid funds pursuant to the State Constitution. CMU 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 CMU three percent of the state aid foundation as administrative fees. The total administrative fees for the year to CMU were $62,730.

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the Academy's reporting entity, and which organizations are legally separate component units of the Academy. The Academy has no component units.

Academy-wide Financial Statements
The Academy's basic financial statements include both Academy-wide (reporting for the Academy as a whole) and fund financial statements (reporting the Academy's major funds). The Academy-wide financial statements categorize all nonfiduciary activities as either governmental or business type. All of the Academy's activities are classified as governmental activities.

The statement of net position presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The Academy's net position is reported in three parts (1) net investment in capital assets, (2) restricted net position, and (3) unrestricted net position.

The statement of activities reports both the gross and net cost of each of the Academy's functions. The functions are also supported by general government revenues (certain intergovernmental revenues, investments and earnings, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (state sources and federal sources, interest income, etc.). In creating the Academy-wide financial statements the Academy has eliminated interfund transactions.

The Academy-wide focus is on the sustainability of the Academy as an entity and the change in the Academy's net position resulting from current year activities.

Fund Financial Statements
Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the Academy-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Academy considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Unrestricted state aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

The Academy reports the following major governmental funds:

General Fund – The General Fund is used to record the general operations of the Academy pertaining to education and those operations not required to be provided for in other funds.

Food Service Fund – The Food Service Fund is a Special Revenue Fund, which is used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. Operating deficits generated by these activities are generally covered by a transfer from the General Fund.

Fiduciary Fund – Fiduciary Funds are used to account for assets held by the Academy in a trustee capacity or as an agent. The Agency Fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations. This fund is used to record the transactions of student groups for school and school-related purposes.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity
Receivables and Payables – Generally, outstanding amounts owed between funds are classified as “due from/to other funds”. These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

The Academy considers all accounts receivable to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

Prepaid Items – Certain payments to vendors reflect costs applicable to future fiscal years. For such payments in governmental funds the Academy follows the consumption method, and they therefore are capitalized as prepaid items in both academy-wide and fund financial statements.

Capital Assets – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their acquisition value at the date of donation. The Academy defines capital assets as assets with an initial individual cost in excess of $2,500. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The Academy does not have infrastructure assets. Equipment and furniture is depreciated using the straight-line method over the following useful lives:

Site improvements	5-15 years
Equipment and furniture	5 years

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

Long-term Obligations – In the Academy-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

Deferred Inflows of Resources – A deferred inflow of resources is an acquisition of net position by the government that is applicable to a future reporting period. For governmental funds this includes unavailable revenue in connection with receivables for revenues that are not considered available to liquidate liabilities of the current period. Deferred amounts on bond refundings are included in the district-wide financials statements. The amounts represent the difference between the reacquisition price and the net carrying amount of the prior debt. For academy-wide financial statements, the Academy reports deferred inflows of resources as a result of pension and OPEB plan earnings. This amount is the result of a difference between what the plan expected to earn from the plan investments and what the plan actually earned. This amount will be amortized over the next four years and included in pension and OPEB expense. Changes in assumptions relating to the net pension and OPEB liabilities are deferred and amortized over the expected remaining services lives of the employees and retirees in the plans. Deferred inflows of resources also includes revenue received relating to the amounts included in the deferred outflows for payments related to MPSERS Unfunded Actuarial Accrued Liabilities (UAAL) Stabilization defined benefit pension statutorily required contributions.

Pension – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Michigan Public School Employees Retirement System (MPSERS) and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Postemployment Benefits Other Than Pensions – For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Michigan Public School Employees Retirement System (MPSERS) and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Compensated Absences – The directors are employees of the Board of Directors and paid time off policies differ from those that are contracted. Directors may save unused personal days from year to year, up to a maximum of 50 days. These days will be paid out only at termination of employment and cannot be paid out upon request.

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

> Non-spendable – amounts that are not available in a spendable form.
>
> Restricted – amounts that are legally imposed or otherwise required by external parties to be used for a specific purpose.
>
> Committed – amounts that have been formally set aside by the Board of Directors for specific purposes. A fund balance commitment may be established, modified, or rescinded by a resolution of the board of directors.
>
> Assigned – amounts intended to be used for specific purposes, as determined by the board of directors. The Board of Directors has granted the Academy Director the authority to assign funds. Residual amounts in governmental funds other than the General Fund are automatically assigned by their nature.
>
> Unassigned – all other resources; the remaining fund balances after non-spendable, restrictions, commitments and assignments.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Academy's policy is to consider restricted funds spent first.

When an expenditure is incurred for purposes for which committed, assigned, or unassigned amounts could be used, the Academy's policy is to consider the funds to be spent in the following order: (1) committed, (2) assigned, (3) unassigned.

The Academy has adopted a minimum fund balance policy, as follows:

The Board shall ensure that adequate funds are reserved for the General Fund to maintain a secure financial position whereby the fund equity shall not fall below five percent (5%) of the preceding year's expenditures.

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, as well as deferred inflows and deferred outflows at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

Eliminations and Reclassifications
In the process of aggregating data for the statement of net position and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

Adoption of New Accounting Standards
Statement No. 83, Certain Asset Retirement Obligations establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. The requirements of this Statement are effective for the fiscal year ending June 30, 2019.

Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements improves the information that is disclosed in notes to the District's financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities districts should include when disclosing information related to debt. It requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. It will also require that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement are effective for the fiscal year ending June 30, 2019.

Upcoming Accounting and Reporting Changes
Statement No. 84, *Fiduciary Activities* improves the guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The focus of the criteria includes the following: (1) is the government controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The four fiduciary funds that should be reported, if applicable are: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally will report fiduciary activities that are not held in a trust or similar arrangement that meets specific criteria. The requirements of this Statement are effective for the fiscal year ending June 30, 2020.

Statement No. 87, *Leases* increases the usefulness of the District's financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. A lessee will be required to recognize a lease liability and an intangible right-to-use a lease asset, and a lessor will be required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about the District's leasing activities. The requirements of this Statement are effective for the fiscal year ending June 30, 2021.

Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. It requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reporting in a business-type activity or enterprise fund. Interest cost incurred before the end of a construction period should be recognized as an expenditure for financial statements prepared using the current financial resources measurement. The requirements of this Statement are effective for the fiscal year ending June 30, 2021.

Statement No. 90, Majority Equity Interests improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain components. This statement is effective for the year ending June 30, 2020.

Statement No. 91, Conduit Debt Obligations provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. This statement is effective for the year ending June 30, 2022.

The Academy is evaluating the impact that the above pronouncements will have on its financial reporting.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and state law for the General and Special Revenue Funds. All annual appropriations lapse at fiscal year end, thereby cancel all encumbrances. These appropriations are reestablished at the beginning of the year.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. State law requires the Academy to have its budget in place by July 1. The Academy is not considered in violation of the law if reasonable procedures are in use by the Academy to detect violations.

The Finance Director is legally authorized to transfer budgeted amounts within functions and between objects within any fund; however, transfers cannot exceed approved budget by function and any revisions that alter the total expenditures of any fund must be approved by the Board of Directors. The Finance Director must formally notify the Board prior to incurring an object expenditure in excess of its budget.

Budgeted amounts are as originally adopted or as amended by the Board of Directors throughout the year. Individual amendments were not material in relation to the original appropriations.

Excess of Expenditures over Appropriations

The Academy did not have significant expenditure budget variances.

Note 3 - Deposits

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

	Governmental Activities	Fiduciary Funds	Total Primary Government
Cash	$ 408,606	$ 2,720	$ 411,326
Investments	100,000	-	100,000
	$ 508,606	$ 2,720	$ 511,326

The breakdown between deposits for the Academy is as follows:

Deposits (checking, savings accounts, money markets, certificates of deposit)	$ 411,326
Investments in securities, mutual funds, and similar vehicles	100,000
Total	$ 511,326

As of year end, the Academy had the following investments:

Investment	Fair Value	Maturities	Rating	Rating Organization
U.S. Government Treasury Bills	$ 100,000	6 months	AAA	Moody's

Interest rate risk – In accordance with its investment policy, the Academy manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than two years.

Credit risk – State statutes and the Academy's investment policy authorize the Academy to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan; the Academy is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles.

Concentration of credit risk – The Academy's investment policy does not limit the amount that may be invested with any one issuer.

Custodial credit risk – deposits – In the case of deposits, this is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. The Academy'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. As of year-end, $190,726 of the Academy's bank balance of $440,726 was exposed to custodial credit risk because it was uninsured and uncollateralized. The Academy invests in treasury bills which are fully insured.

Note 4 - Fair Value Measurements

The Academy categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Academy has the following recurring fair value measurements as of June 30, 2019:

• U.S. Treasury securities of $100,000 are valued using quoted market prices (Level 1 inputs)

Note 5 - Capital Assets

A summary of the changes in governmental capital assets is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets being depreciated				
Site Improvements	$ 105,434	$ -	$ -	$ 105,434
Equipment and furniture	215,942	-	-	215,942
Total capital assets being depreciated	321,376	-	-	321,376
Less accumulated depreciation for				
Site Improvements	18,871	10,710	-	29,581
Equipment and furniture	127,614	33,630	-	161,244
Total accumulated depreciation	146,485	44,340	-	190,825
Net capital assets being depreciated	174,891	(44,340)	-	130,551
Net capital assets	$ 174,891	$ (44,340)	$ -	$ 130,551

Depreciation was charged to activities of the Academy as follows:

Governmental activities	
Instruction	$ 16,620
Support services	27,720
Total governmental activities	$ 44,340

Note 6 - Interfund Receivable and Payable and Transfers

Individual interfund receivable and payable balances at year end were:

Payable Fund	Receivable Fund	Amount
General Fund	Food Service Fund	$ 6,078

The outstanding balances between funds result mainly from the time lag between the dates that transactions are recorded in the accounting system and payments between funds are made.

Management does not anticipate individual interfund balances to remain outstanding for periods in excess of one year.

Interfund transfers consist of the following:

	Transfers Out
	Food Service Fund
Transfers in	
General Fund	$ 5,000

These transfers were made to reimburse the General Fund for indirect costs incurred for food service activities.

Note 7 - Long-Term Debt

The Academy's long-term obligations include compensated absences.

Long-term obligation activity is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Other liabilities					
Compensated absences	$ 20,225	$ 2,625	$ 10,800	$ 12,050	$ 7,000

For governmental activities, compensated absences are primarily liquidated by the general fund.

Compensated Absences

Unpaid personal days for all administrative directors are allowed to accumulate and be paid upon termination of employment. Administrative personnel are paid at the rate of $ 200 per day and Director of Operations is paid at the rate of $ 100 per day, up to a maximum of 50 days. For the year 2019 the Board of Directors approved an accumulation of the maximum days for the Director of Finance due to the extraordinary increase in workload. The total potential liability for these days at June 30, 2019 was $12,050. This amount is included as a liability in the Academy-wide financial statements.

Note 8 - Operating Lease

The Academy leases a building with the option to purchase from a third party. The total lease expense for the year ended June 30, 2019 was $298,301. The future minimum lease payments for this lease are as follows:

Year ending June 30,	
2020	$ 307,247
2021	316,464
2022	325,958
2023	335,737
2024	92,298
Total	$ 1,377,704

Note 9 - Risk Management

The Academy is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation) and certain medical benefits provided to employees. The Academy has purchased commercial insurance for general liability, property and casualty and health and vision claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage.

The Academy is subject to the Michigan Employment Security Act and has elected to pay unemployment claims on a direct self-insured basis. Under this method, the Academy must reimburse the Employment Commission for all benefits charged against the Academy. The Academy paid no unemployment compensation expense for the year. No provision has been made for possible future claims.

Note 10 - Pension Plan

Plan Description

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

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

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

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

Benefits Provided

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

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

Contributions

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2017 valuation will be amortized over a 20-year period for the 2017 fiscal year.

The schedule below summarizes pension contribution rates in effect for fiscal year ended September 30, 2018.

Pension Contribution Rates		
Benefit Structure	Member	Employer
Basic	0.0 - 4.0%	17.89%
Member Investment Plan	3.0 - 7.0%	17.89%
Pension Plus	3.0 - 6.4%	16.61%
Pension Plus 2	6.2%	19.74%
Defined Contribution	0.0%	13.54%

Required contributions to the pension plan from the Academy were $ 101,096 for the year ending September 30, 2018.

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

At June 30, 2019, the Academy reported a liability of $ 1,116,090 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2017. 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, 2018, the Academy's proportion was .0037 percent, which was an increase of .0002 percent from its proportion measured as of September 30, 2017. At September 30, 2018, the total pension expense for the Academy was $ 197,096. For the year ending June 30, 2019 the Academy recognized pension expense of $ 60,502.

At June 30, 2019, the Academy reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Difference between expected and actual experience	$ 5,179	$ (8,110)	$ (2,931)
Changes of assumptions	258,485	-	258,485
Net difference between projected and actual earnings on pension plan investments	-	(76,312)	(76,312)
Changes in proportion and differences between the Academy contributions and proportionate share of contributions	125,523	(4,148)	121,375
Total to be recognized in future	389,187	(88,570)	300,617
Academy contributions subsequent to the measurement date	45,901	-	45,901
Total	$ 435,088	$ (88,570)	$ 346,518

Contributions subsequent to the measurement date reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Deferred Outflow of Resources by Year (To Be Recognized in Future Pension Expenses)	
2019	$ 126,377
2020	94,232
2021	59,754
2022	20,254
	$ 300,617

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, 2017
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 2.75%
- Investment Rate of Return:
  - MIP and Basic Plans: 7.05%

- o Pension Plus Plan: 7.00%
- o Pension Plus 2 Plan: 6.00%
- Projected Salary Increases: 2.75 - 11.55%, including wage inflation at 2.75%
- Cost-of-Living Pension Adjustments: 3% Annual Non-Compounded for MIP Members
- Mortality:
  - o 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.
  - o Active Members: Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2017 valuation. The total pension liability as of September 30, 2018, is based on the results of an actuarial valuation date of September 30, 2017, 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: 4.5304

Recognition period for assets in years is 5.0000

Full actuarial assumptions are available in the 2018 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2018, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.0 %	5.7 %
Alternative Investment Pools	18.0	9.2
International Equity	16.0	7.2
Fixed Income Pools	10.5	5.0
Real Estate and Infrastructure Pools	10.0	3.9
Absolute Return Pools	15.5	5.2
Short Term Investment Pools	2.0	0.0
	100.0%	

**Long-term rates of return are net of administrative expenses and 2.3% inflation.*

Rate of Return

For the fiscal year ended September 30, 2018, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 11.11%. 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 7.05% was used to measure the total pension liability (7.0% for the Pension Plus plan, 6.0% for the Pensions Plus 2 plan provided through non-university employers only). This discount rate was based on the long-term expected rate of return on pension plan investments of 7.05% (7.0% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Academy's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate
The following presents the Academy's proportionate share of the net pension liability calculated using the discount rate of 7.05% (7.0% for the Hybrid 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 * 6.05% / 6.0% / 5.0%	Current Single Discount Rate Assumption * 7.05% / 7.0% / 6.0%	1% Increase * 8.05% / 8.0% / 7.0%
$ 1,465,339	$ 1,116,090	$ 825,920

**The Basic plan and the Member Investment Plan (MIP) are non-hybrid plans. Pension Plus is a hybrid plan, with a defined benefit (pension) component and a defined contribution (DC) component.*

Michigan Public School Employees' Retirement System (MPSERS) Fiduciary Net Position
Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS CAFR, available on the ORS website at www.michigan.gov/orsschools.

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

Note 11 - Postemployment Benefits Other Than Pensions (OPEB)

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

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

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

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

Benefits Provided

Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which, through 2012, was funded on a cash disbursement basis. Beginning 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, 2017 valuation will be amortized over a 20-year period for the 2017 fiscal year.

The schedule below summarizes OPEB contribution rates in effect for fiscal year 2018.

OPEB Contribution Rates		
Benefit Structure	Member	Employer
Premium Subsidy	3.0%	6.44%
Personal Healthcare Fund (PHF)	0.0%	6.13%

Required contributions to the OPEB plan from the Academy were $ 24,423 for the year ended September 30, 2018.

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

At June 30, 2019, the Academy reported a liability of $ 299,084 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2017. 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, 2018, the Academy's proportion was .0038 percent, which was an increase of .0003 percent from its proportion measured as of September 30, 2017. At September 30, 2018, the total OPEB expense for the Academy was $ 18,876. For the year ending June 30, 2019, the Academy recognized total OPEB expenses of $ 26,205.

At June 30, 2019, the Academy reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Difference between expected and actual experience	$ -	$ (55,667)	$ (55,667)
Changes of assumptions	31,673	-	31,673
Net difference between projected and actual earnings on OPEB plan investments	-	(11,495)	(11,495)
Changes in proportion and differences between the Academy contributions and proportionate share of contributions	21,224	(1,389)	19,835
Total to be recognized in future	52,897	(68,551)	(15,654)
Academy contributions subsequent to the measurement date	19,945	-	19,945
Total	$ 72,842	$ (68,551)	$ 4,291

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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Deferred Inflow of Resources by Year (To Be Recognized in Future OPEB Expenses)		
2019	$	(4,488)
2020		(4,488)
2021		(4,488)
2022		(2,068)
2023		(122)
	$	(15,654)

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, 2017
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 2.75%
- Investment Rate of Return: 7.15%
- Projected Salary Increases: 2.75 - 11.5%, including wage inflation at 2.75%
- Healthcare Cost Trend Rate: 7.5% Year 1 graded to 3.0% Year 12
- 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: Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Other Assumptions:

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

Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2017 valuation. The total OPEB liability as of September 30, 2018, is based on the results of an actuarial valuation date of September 30, 2017, 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: 5.6018

Recognition period for assets in years is 5.0000

Full actuarial assumptions are available in the 2018 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2018, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.0 %	5.7 %
Alternative Investment Pools	18.0	9.2
International Equity	16.0	7.2
Fixed Income Pools	10.5	0.5
Real Estate and Infrastructure Pools	10.0	3.9
Absolute Return Pools	15.5	5.0
Short Term Investment Pools	2.0	0.0
	100.0%	

**Long-term rates of return are net of administrative expenses and 2.3% inflation.*

Rate of Return

For the fiscal year ended September 30, 2018, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 10.75%. 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 7.15% 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 7.15%. 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 7.15%, as well as what the Academy's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

1% Decrease 6.15%	Current Discount Rate 7.15%	1% Increase 8.15%
$ 359,044	$ 299,084	$ 248,650

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

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

1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
$ 245,993	$ 299,084	$ 359,990

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2018 MPSERS CAFR, available on the ORS website at www.michigan.gov/orsschools.

Payables to the OPEB Plan

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

Note 12 - Contingent Liabilities

Amounts received or receivable from grantor agencies are subjected to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of costs which may be disallowed by the grantor cannot be determined at this time although the Academy expects such amounts, if any, to be immaterial.

REQUIRED SUPPLEMENTARY INFORMATION

Greater Heights Academy
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2019

	Budgeted Amounts			Over
	Original	Final	Actual	(Under) Budget
Revenues				
Local sources	$ 17,000	$ 28,399	$ 28,938	$ 539
State sources	2,656,100	2,387,628	2,390,880	3,252
Federal sources	291,350	292,337	296,485	4,148
Total revenues	2,964,450	2,708,364	2,716,303	7,939
Expenditures				
Instruction				
Basic programs	777,100	831,903	811,105	(20,798)
Added needs	271,545	217,750	213,036	(4,714)
Supporting services				
Pupil	143,670	154,515	147,101	(7,414)
Instructional staff	285,370	209,519	207,326	(2,193)
General Administration	90,779	77,579	74,530	(3,049)
School administration	420,370	458,586	453,572	(5,014)
Business	168,391	141,722	141,372	(350)
Operations and maintenance	594,741	516,750	512,109	(4,641)
Pupil transportation services	120,600	100,000	99,183	(817)
Central	69,775	70,535	70,093	(442)
Athletic activities	4,225	4,175	2,870	(1,305)
Community services	2,000	5,169	5,070	(99)
Total expenditures	2,948,566	2,788,203	2,737,367	(50,836)
Excess (deficiency) of revenues over expenditures	15,884	(79,839)	(21,064)	58,775

Greater Heights Academy
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2019

	Budgeted Amounts			Over (Under)
	Original	Final	Actual	Budget
Other Financing Sources				
Transfers in	$ -	$ 5,000	$ 5,000	$ -
Net change in fund balance	15,884	(74,839)	(16,064)	58,775
Fund balance - beginning	794,525	794,525	794,525	-
Fund balance - ending	$ 810,409	$ 719,686	$ 778,461	$ 58,775

Greater Heights Academy
Required Supplementary Information
Budgetary Comparison Schedule - Food Service Fund
For the Year Ended June 30, 2019

	Budgeted Amounts			Over (Under)
	Original	Final	Actual	Budget
Revenues				
State sources	$ 4,500	$ 11,550	$ 11,560	$ 10
Federal sources	251,157	225,244	227,820	2,576
Total revenues	255,657	236,794	239,380	2,586
Expenditures				
Current				
Education				
Food services	267,607	236,438	232,660	(3,778)
Excess (deficiency) of revenues over expenditures	(11,950)	356	6,720	6,364
Other Financing Uses				
Transfers out	-	(5,000)	(5,000)	-
Net change in fund balance	(11,950)	(4,644)	1,720	6,364
Fund balance - beginning	21,502	21,502	21,502	-
Fund balance - ending	$ 9,552	$ 16,858	$ 23,222	$ 6,364

Greater Heights Academy
Required Supplementary Information
Schedule of the Academy's Proportionate Share of the Net Pension Liability
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years (Measurement Date September 30th, of Each June Fiscal Year)

		2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
A.	Academy's proportion of the net pension liability (%)	0.0037%	0.0035%	0.0030%	0.0029%	0.0026%					
B.	Academy's proportionate share of the net pension liability	$ 1,116,090	$ 911,777	$ 759,782	$ 696,883	$ 568,341					
C.	Academy's covered-employee payroll	$ 318,416	$ 315,795	$ 269,092	$ 239,917	$ 255,000					
D.	Academy's proportionate share of the net pension liability as a percentage of its covered-employee payroll	350.51%	288.72%	282.35%	290.47%	222.88%					
E.	Plan fiduciary net position as a percentage of total pension liability	62.36%	64.21%	63.27%	63.17%	66.20%					

Note Disclosures

Changes of benefit terms: There were no changes of benefit terms in plan fiscal year 2018.

Changes of benefit assumptions: There were no changes of benefit assumptions in plan fiscal year 2018.

Greater Heights Academy
Required Supplementary Information
Schedule of the Academy's Pension Contributions
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years

		For the Years Ended June 30,									
		2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
A.	Statutorily required contributions	$ 60,502	$ 95,564	$ 59,583	$ 50,950	$ 51,187					
B.	Contributions in relation to statutorily required contributions	60,502	95,564	59,583	50,950	51,187					
C.	Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -					
D.	Reporting unit's covered-employee payroll	$ 333,123	$ 317,014	$ 313,425	$ 255,000	$ 233,667					
E.	Contributions as a percentage of covered-employee payroll	18.16%	30.15%	19.01%	19.98%	21.91%					

Greater Heights Academy
Required Supplementary Information
Schedule of the Academy's Proportionate Share of the Net OPEB Liability
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years (Measurement Date September 30th, of Each June Fiscal Year)

		2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
A.	Academy's proportion of the net OPEB liability (%)	0.0038%	0.0035%								
B.	Academy's proportionate share of the net OPEB liability	$ 299,084	$ 308,201								
C.	Academy's covered-employee payroll	$ 318,416	$ 315,795								
D.	Academy's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	93.93%	97.60%								
E.	Plan fiduciary net position as a percentage of total OPEB liability	42.95%	36.39%								

Note Disclosures

Changes of benefit terms: There were no changes of benefit terms in plan fiscal year 2018.

Changes of benefit assumptions: There were no changes of benefit assumptions in plan fiscal year 2018.

Greater Heights Academy
Required Supplementary Information
Schedule of the Academy's OPEB Contributions
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years

		For the Years Ended June 30,									
		2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
A.	Statutorily required contributions	$ 26,205	$ 22,903								
B.	Contributions in relation to statutorily required contributions	26,205	22,903								
C.	Contribution deficiency (excess)	$ -	$ -								
D.	Reporting unit's covered-employee payroll	$ 333,123	$ 317,014								
E.	Contributions as a percentage of covered-employee payroll	7.87%	7.22%								

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Independent Auditors' Report

Management and the Board of Directors
Greater Heights Academy
Flint, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Greater Heights Academy as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Greater Heights Academy's basic financial statements, and have issue our report thereon dated September 4, 2019.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Yeo & Yeo, P.C.

Flint, MI
September 4, 2019

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September 4, 2019

To whom it may concern:

A management letter from Yeo & Yeo to Greater Heights Academy with comments and recommendations was not issued for the fiscal year ending June 30, 2019.

Should you have any questions, please contact our office.

Very truly yours,

Yeo & Yeo, PC
CPAs and Business Consultants

Jennifer Watkins, CPA
Yeo & Yeo, P.C.
CPAs & Business Consultants

YEO & YEO
CPAs & BUSINESS CONSULTANTS

800.968.0010 | yeoandyeo.com

September 4, 2019

Management and the Board of Directors
Greater Heights Academy
3196 W. Pasadena Ave.
Flint, MI 48504

We have completed our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Greater Heights Academy as of and for the year ended June 30, 2019, and have issued our report dated September 4, 2019. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America, *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated May 3, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the School District are described in Note 1 of the financial statements. The Academy adopted the new Government Accounting Standards Board Statements as noted in the notes to the financial statements, effective July 1, 2018.

We noted no transactions entered into by the Academy during the year where there is lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statement in the proper period.

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

- The useful lives of its capital assets. Useful lives are estimated based on the expected length of time during which the asset is able to deliver a given level of service.

- Net pension liability, and related deferred outflows of resources and deferred inflows of resources. The estimate is based on an actuarial report.

- Net OPEB liability, and related deferred outflows of resources and deferred inflows of resources. The estimate is based on an actuarial report.

We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole and free from bias.

Disclosures in the financial statements are neutral, consistent and clear.

Accounting Standards and Regulatory Updates

Accounting Standards
The Governmental Accounting Standards Board has released the following Statements:

Statement No. 84, *Fiduciary Activities* improves the guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The criteria generally is on (1) is the government controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The four fiduciary funds that should be reported, if applicable are: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally will report fiduciary activities that are not held in a trust or similar arrangement that meets specific criteria. The requirements of this Statement are effective for the fiscal year ending June 30, 2020.

Statement No. 87, *Leases* increases the usefulness of the District's financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. A lessee will be required to recognize a lease liability and an intangible right-to-use a lease asset, and a lessor will be required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about the District's leasing activities. The requirements of this Statement are effective for the fiscal year ending June 30, 2021.

Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. It requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reporting in a business-type activity or enterprise fund. Interest cost incurred before the end of a construction period should be recognized as an expenditure for financial statements prepared using the current financial resources measurement. The requirements of this Statement are effective for the fiscal year ending June 30, 2021.

Statement No. 90, *Majority Equity Interests* improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain components. This statement is effective for the year ending June 30, 2020.

Statement No. 91, *Conduit Debt Obligations* provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. This statement is effective for the year ending June 30, 2022.

The Academy is evaluating the impact the above pronouncements will have on its financial reporting.

Regulatory and Other Updates

Federal Compliance
The Federal Compliance Supplement is being fully revised for 2019. Included in the revision is a mandate that the federal awarding agencies limit the requirement to test six of the compliance areas for each program. These program testing requirements are anticipated to vary on an annual basis. However, auditors will still need to perform a risk assessment to determine if any additional requirements may need to be tested, or if some of those

requirements will not be necessary to test as it may not be direct and material to the program. This does not alleviate districts from following all of the compliance requirements as described in the grant agreement. It simply identifies which ones auditors will be testing.

Budget Assumptions & Early Warning
Each academy that has a general fund balance less than 5% of total unrestricted general revenue for either of the 2016-2017 or 2017-2018 school fiscal years is required to submit budget assumptions to the Center for Educational Performance and Information (CEPI).

Uniform Budgeting and Accounting Act (UBAA)
The UBAA establishes budget and accounting requirements for local governments and school districts, including public school academies. It also establishes oversight requirements for MDE as well as the Michigan Attorney General. Material violations of the UBAA, including but not limited to General Fund deficits, should be reported as financial statement findings in the audit report. UBAA states that if it becomes apparent during the year that the probable revenues will be less than the budgeted revenues, the fiscal officer shall present recommendations to the legislative body which, if adopted, would prevent expenditures from exceeding available revenues for the fiscal year. UBAA states that an officer of the school district shall not incur expenditures against an appropriation account in excess of the amount appropriated by the board. Noncompliance includes, but is not limited to, over-expending the budget authorized by the board. MDE is analyzing the General Fund only, and at the total revenues, expenditures and financing sources (uses) levels, rather than at the line item level. MDE has stated a 0% tolerance for UBAA noncompliance.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require that the auditor accumulate all known and likely misstatements identified during the audit, other than those the auditor believes to be trivial, and communicate them to the appropriate level of management. There were no misstatements detected as a result of audit procedures that were more than trivial. There were no uncorrected misstatements that were more than trivial.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction that could be significant to the financial statements or the auditors' report. We are pleased to report we had no disagreements with management during the audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated as of the date of the audit report.

Management's Consultations with Other Accountants

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

Other Audit Findings or Issues

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

Other Reports

Other information that is required to be reported to you is included in the: Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. Please read all information included in that report to ensure you are aware of relevant information.

Report on Required Supplementary Information

With respect to the required supplementary information accompanying the financial statements, which includes management's discussion and analysis, schedule of the Academy's proportionate share of the net pension liability, schedule of the Academy's pension contributions, schedule of the Academy's proportionate share of the net OPEB liability, schedule of the Academy's OPEB contributions, and budgetary comparison information, we applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.

We discussed these matters with various personnel in the Academy during the audit and would also be pleased to meet with you to discuss these matters at your convenience.

Restriction on Use

These communications are intended solely for the information and use of management, the Board of Directors, and others within the Academy, and are not intended to be and should not be used by anyone other than those specified parties.

Yeo & Yeo, P.C.

Flint, Michigan