



MUELLER & CO., LLP

Certified Public Accountants – Business & Financial Advisors

ASSURANCE

**MICHIGAN MATHEMATICS AND
SCIENCE ACADEMY**

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2019

MUELLER

Elgin/Orland Park/Chicago
www.muellercpa.com
847.888.8600 Phone
847.888.0635 Fax

**MICHIGAN MATHEMATICS AND SCIENCE ACADEMY
ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2019**

CONTENTS

	<u>Page</u>
Independent Auditor's Report	i - iii
Management's Discussion and Analysis	iv - ix
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position - Governmental Activities	1 - 2
Statement of Activities	3
Fund Financial Statements:	
Balance Sheet - Governmental Funds	4
Reconciliation of Fund Balances of Governmental Funds to Net Position of Governmental Activities	5
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	6 - 7
Reconciliation of the Excess of Revenues over Expenditures of Governmental Funds to the Change in Net Position of Governmental Activities	8
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund	9 - 10
Notes to Basic Financial Statements	11 - 31
Required Supplementary Information:	
Employee Retirement and Postemployment Benefit Plan Information:	
Michigan Public School Employees Retirement Plan - Pension Plan	32
Michigan Public School Employees Retirement Plan - OPEB Plan	33

**MICHIGAN MATHEMATICS AND SCIENCE ACADEMY
ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2019**

CONTENTS

	<u>Page</u>
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	34 - 35
Schedule of Expenditures of Federal Awards:	
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	36 - 37
Schedule of Expenditures of Federal Awards	38 - 39
Notes to Schedule of Expenditures of Federal Awards	40 - 42
Schedule of Findings and Questioned Costs	43

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Michigan Mathematics and Science Academy

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Michigan Mathematics and Science 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.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Michigan Mathematics and Science Academy as of June 30, 2019, and the respective changes in financial position thereof and the budgetary comparison for the General Fund 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 on pages iv through ix and employee retirement and postemployment benefit plan information on pages 34 and 35 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Michigan Mathematics and Science Academy's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2019, on our consideration of Michigan Mathematics and Science 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 Michigan Mathematics and Science 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 Michigan Mathematics and Science Academy internal control over financial reporting and compliance.

Handwritten signature of Muller & Co., LLP in black ink.

Orland Park, Illinois
October 30, 2019

**MICHIGAN MATHEMATICS AND SCIENCE ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019**

As management of Michigan Mathematics and Science Academy (the Academy), we offer readers of the Academy's Annual Financial Report this narrative and analysis of the financial activities of the Academy for the fiscal year ended June 30, 2019.

Financial Highlights

- The assets and deferred outflows of resources of the Academy exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$599,149 (net position).
- Governmental activities have unrestricted net position of \$122,020.
- The total net position of the Academy increased by \$98,480 during fiscal year 2019.
- Total fund balance of the Academy's governmental funds increased by \$97,576 resulting in ending total fund balance of \$391,902.
- During the current fiscal year, fund balance in the Academy's General Fund increased by \$97,576.

Overview of the Financial Statements

Management's discussion and analysis is intended to serve as an introduction to the Academy's basic financial statements. The basic financial statements presented on pages 1 - 31 are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to basic financial statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader of the Academy's Annual Financial Report a broad overview of the financial activities in a manner similar to a private sector business. The government-wide financial statements include the statement of net position and the statement of activities.

The statement of net position presents information about all of the Academy's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position as reported using the accrual basis of accounting. Over time, changes in net position may serve as a useful indicator of whether the financial position of the Academy is improving or deteriorating.

The statement of activities presents information showing how the net position of the Academy changed during the current fiscal year. Changes in net position are recorded in the statement of activities when the underlying event occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement even though the resulting cash flows may be recorded in a future period.

**MICHIGAN MATHEMATICS AND SCIENCE ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019**

The government-wide financial statements present the functions of the Academy that are principally supported by intergovernmental revenues (governmental activities). The Academy has no business-type activities; that is, functions that are intended to recover all or a significant portion of their costs through user fees and charges. The Academy's governmental activities include instruction, support services, and food service. The government-wide financial statements can be found on pages 1 - 3 of this report.

Fund Financial Statements

Fund financial statements are designed to demonstrate compliance with finance-related requirements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific objectives. Fund financial statements for the Academy include governmental funds.

Governmental funds account for essentially the same information reported in the governmental activities of the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Academy's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Academy's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Academy maintains two different governmental funds. The major fund is the General Fund. It is presented separately in the fund financial statements with the remaining governmental fund labeled "nonmajor governmental fund."

The Academy adopts an annual appropriated budget for each of the governmental funds. A budgetary comparison for the General Fund is included in the basic financial statements section of this report to demonstrate compliance with the adopted budget. The basic governmental fund financial statements can be found on pages 4 - 10 of this report.

Notes to Basic Financial Statements

The notes to basic financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes can be found on pages 11 - 31 of this report.

**MICHIGAN MATHEMATICS AND SCIENCE ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019**

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the Academy's employee retirement and postemployment benefit plans. Required supplementary information can be found on pages 32 and 33.

Government-wide Financial Analysis

As noted earlier, net position over time may serve as a useful indicator of an entity's financial position. The Academy's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$599,149 at the close of the most recent fiscal year. Net position as of June 30, 2019 and 2018 is summarized as follows:

	<u>Net Position as of June 30,</u>	
	<u>2019</u>	<u>2018</u>
Assets:		
Cash	\$ 193,784	\$ 161,001
Receivables:		
Grants	131,041	227,086
Intergovernmental	1,220,579	864,314
Prepaid items	50,577	11,690
Noncurrent assets:		
Capital assets	<u>2,177,654</u>	<u>2,319,520</u>
Total assets	<u>3,773,635</u>	<u>3,583,611</u>
Deferred outflows of resources:		
Related to the pension plan	41,322	47,268
Related to other postemployment benefits	<u>3</u>	<u>4</u>
Total deferred outflows of resources	<u>41,325</u>	<u>47,272</u>
Liabilities:		
Current liabilities:		
Accounts payable and accrued expenses	147,763	148,709
Accrued salaries and related items	816,417	587,745
Accrued expenses - other	37,715	27,531
Unearned revenue	50,000	-
State aid anticipation note	148,384	181,032
General obligation bonds payable	147,629	140,264
Noncurrent liabilities:		
Due in more than one year	1,552,896	1,691,528
Net pension liability	131,773	251,609
Net other postemployment benefits liability	<u>-</u>	<u>85,490</u>
Total liabilities	<u>3,032,577</u>	<u>3,113,908</u>

**MICHIGAN MATHEMATICS AND SCIENCE ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Net Position as of June 30,</u>	
	<u>2019</u>	<u>2018</u>
Deferred inflows of resources:		
Related to the pension plan	110,631	13,416
Related to other postemployment benefits	<u>72,603</u>	<u>2,890</u>
Total deferred inflows of resources	<u>183,234</u>	<u>16,306</u>
Net position:		
Net investment in capital assets	477,129	487,728
Unrestricted	<u>122,020</u>	<u>12,941</u>
Total net position	<u>\$ 599,149</u>	<u>\$ 500,669</u>

A portion of the Academy's net position reflects its investment in capital assets, less any related outstanding debt that was used to acquire those assets. The remaining balance of \$122,020 is unrestricted and may be used to fund the Academy's operations.

Governmental Activities

The Academy's overall net position increased by \$98,480 from the prior fiscal year. The Academy's change in net position for the years ended June 30, 2019 and 2018 is summarized as follows:

	<u>Change in Net Position for the Fiscal Years Ended June 30,</u>	
	<u>2019</u>	<u>2018</u>
Revenues:		
Program revenues:		
Operating grants and contributions	<u>\$ 1,739,458</u>	<u>\$ 1,410,931</u>
General revenues:		
State aid - unrestricted	6,124,738	4,181,066
Other income	<u>142,555</u>	<u>99,157</u>
Total general revenues	<u>6,267,293</u>	<u>4,280,223</u>
Total revenues	<u>8,006,751</u>	<u>5,691,154</u>

**MICHIGAN MATHEMATICS AND SCIENCE ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Change in Net Position for the Fiscal Years Ended June 30.</u>	
	<u>2019</u>	<u>2018</u>
Expenses:		
Governmental activities:		
Instruction	4,005,228	2,943,442
Support services	3,108,363	2,451,799
Food service	485,582	254,066
Depreciation (unallocated)	182,211	185,604
Interest expense (unallocated)	<u>126,887</u>	<u>143,615</u>
Total expenses	<u>7,908,271</u>	<u>5,978,526</u>
Change in net position	98,480	(287,372)
Net position at beginning of year	<u>500,669</u>	<u>788,041</u>
Net position at end of year	<u>\$ 599,149</u>	<u>\$ 500,669</u>

Financial Analysis of the Academy's Funds

As of the end of the current fiscal year, the Academy's governmental funds reported a total ending fund balance of \$391,902, an increase of \$97,576 in comparison with the prior year.

The total fund balance of the Academy's governmental funds was comprised of a nonspendable amount of \$50,577 and an unassigned fund balance of \$341,325.

General Fund Budgetary Highlights

During the current fiscal year, the operations of the General Fund resulted in a positive budget variance of \$70,703. The variance was primarily due to lower than anticipated support services expenses.

The original budget as passed by the Board of Directors was amended during the year.

**MICHIGAN MATHEMATICS AND SCIENCE ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019**

Capital Assets and Debt Administration

Capital Assets. The Academy's investment in capital assets for its governmental activities as of June 30, 2019 totaled \$2,177,654 (net of accumulated depreciation). The decrease in capital assets during the year ended June 30, 2019 of \$141,866 was the result of depreciation exceeding current year capital asset additions.

	<u>Capital Assets as of June 30,</u>	
	<u>2019</u>	<u>2018</u>
Land	\$ 187,088	\$ 187,088
Building	1,677,892	1,677,892
Furniture and equipment	784,022	757,537
Leasehold improvements	657,564	643,704
Less accumulated depreciation	<u>(1,128,912)</u>	<u>(946,701)</u>
Net capital assets	<u>\$ 2,177,654</u>	<u>\$ 2,319,520</u>

Additional information on the Academy's capital assets can be found in the notes to basic financial statements.

Debt Administration. Additional information on the general obligation bonds and the Academy's state aid anticipation notes can be found in the notes to basic financial statements.

Economic Factors and Next Year's Budget

The Academy's adopted budget for fiscal year 2020 reflects a budgeted surplus of \$328,178.

Requests for Information

This financial report is designed to provide a general overview of the Academy's finances for all those with an interest in the Academy. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Academy's management company:

Concept Schools
1336 Basswood Road
Schaumburg, IL 60173

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**MICHIGAN MATHEMATICS AND SCIENCE ACADEMY
STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES
JUNE 30, 2019**

ASSETS

Cash	\$	193,784
Receivables:		
Grants		131,041
Intergovernmental		1,220,579
Prepaid items		50,577
Capital assets not being depreciated:		
Land		187,088
Capital assets, net of accumulated depreciation:		
Building		1,604,485
Furniture and equipment		234,639
Leasehold improvements		<u>151,442</u>
Total assets		<u>3,773,635</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources related to the pension plan		41,322
Deferred outflows of resources related to other postemployment benefits		<u>3</u>
Total deferred outflows of resources		<u>41,325</u>

LIABILITIES

Accounts payable		147,763
Accrued salaries and related items		816,417
Accrued expenses - other		37,715
Unearned revenue		50,000
State aid anticipation note		148,384
Noncurrent liabilities:		
Due within one year:		
General obligation bonds payable		147,629
Due in more than one year:		
General obligation bonds payable		1,552,896
Net pension liability		<u>131,773</u>
Total liabilities		<u>3,032,577</u> (continued)

The accompanying notes are an integral part of the financial statements.

**MICHIGAN MATHEMATICS AND SCIENCE ACADEMY
STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES
JUNE 30, 2019**

DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources related to the pension plan	110,631
Deferred inflows of resources related to other postemployment benefits	<u>72,603</u>
Total deferred inflows of resources	<u>183,234</u>

NET POSITION

Net investment in capital assets	477,129
Unrestricted	<u>122,020</u>
Total net position	<u>\$ 599,149</u> (concluded)

The accompanying notes are an integral part of the financial statements.

**MICHIGAN MATHEMATICS AND SCIENCE ACADEMY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019**

	Expenses	Program Revenues Operating Grants and Contributions	Net (Expense) Revenue and Change in Net Position
Functions/programs:			
Governmental activities:			
Instruction	\$ 4,005,228	\$ 614,158	\$ (3,391,070)
Support services	3,108,363	639,718	(2,468,645)
Food service	485,582	485,582	-
Depreciation (unallocated)	182,211	-	(182,211)
Interest expense (unallocated)	126,887	-	(126,887)
Total governmental activities	\$ 7,908,271	\$ 1,739,458	(6,168,813)
General revenues:			
State aid - unrestricted			6,124,738
Other income			142,555
Total general revenues			6,267,293
Change in net position			98,480
Net position at beginning of year			500,669
Net position at end of year			\$ 599,149

The accompanying notes are an integral part of the financial statements.

FUND FINANCIAL STATEMENTS

**MICHIGAN MATHEMATICS AND SCIENCE ACADEMY
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2019**

	<u>General Fund</u>	<u>Nonmajor Governmental Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash	\$ 193,784	\$ -	\$ 193,784
Receivables:			
Grants	131,041	-	131,041
Intergovernmental	1,220,579	-	1,220,579
Prepaid items	<u>50,577</u>	<u>-</u>	<u>50,577</u>
Total assets	<u>\$ 1,595,981</u>	<u>\$ -</u>	<u>\$ 1,595,981</u>
LIABILITIES			
Accounts payable	\$ 147,763	\$ -	\$ 147,763
Accrued salaries and related items	816,417	-	816,417
Accrued expenditures - other	37,715	-	37,715
Unearned revenue - federal sources	50,000	-	50,000
State aid anticipation note	<u>148,384</u>	<u>-</u>	<u>148,384</u>
Total liabilities	<u>1,200,279</u>	<u>-</u>	<u>1,200,279</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - federal sources	<u>3,800</u>	<u>-</u>	<u>3,800</u>
FUND BALANCES			
Nonspendable	50,577	-	50,577
Unassigned	<u>341,325</u>	<u>-</u>	<u>341,325</u>
Total fund balances	<u>391,902</u>	<u>-</u>	<u>391,902</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,595,981</u>	<u>\$ -</u>	<u>\$ 1,595,981</u>

The accompanying notes are an integral part of the financial statements.

**MICHIGAN MATHEMATICS AND SCIENCE ACADEMY
RECONCILIATION OF FUND BALANCES OF GOVERNMENTAL
FUNDS TO NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2019**

Fund balances - total governmental funds	\$	391,902
--	----	---------

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		2,177,654
---	--	-----------

Amounts receivable from governmental units that are unavailable to pay for current period expenditures are reported as unavailable revenue in the funds.		3,800
--	--	-------

Long-term liabilities, including bonds and debt certificates payable, are not due and payable in the current year and, therefore, are not reported as liabilities in the funds. Also, governmental funds report the effect of premiums, discounts and similar items when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Long-term liabilities and related accounts at year-end consist of the following:

General obligation bonds payable		(1,700,525)
----------------------------------	--	-------------

The net pension liability is reported as a liability on the statement of net position.		(131,773)
--	--	-----------

Deferred outflows and inflows of resources related to the pension plan are applicable to future periods and, therefore, are not reported in the funds. Deferred outflows and inflows of resources related to the pension plan at year-end are as follows:

Deferred outflows of resources related to the pension plan		41,322
Deferred inflows of resources related to the pension plan		(110,631)

Deferred outflows and inflows of resources related to other postemployment benefits are applicable to future periods and, therefore, are not reported in the funds. Deferred outflows and inflows of resources related to other postemployment benefits at year-end are as follows:

Deferred outflows of resources related to other postemployment benefits		3
Deferred inflows of resources related to other postemployment benefits		<u>(72,603)</u>

Net position of governmental activities	\$	<u><u>599,149</u></u>
---	----	-----------------------

The accompanying notes are an integral part of the financial statements.

**MICHIGAN MATHEMATICS AND SCIENCE ACADEMY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2019**

	<u>General Fund</u>	<u>Nonmajor Governmental Fund</u>	<u>Total Governmental Funds</u>
Revenues:			
Local sources:			
Other	\$ 142,555	\$ -	\$ 142,555
State sources:			
State aid	6,738,896	7,093	6,745,989
Federal sources:			
Grants-in-aid	<u>660,666</u>	<u>478,489</u>	<u>1,139,155</u>
Total revenues	<u>7,542,117</u>	<u>485,582</u>	<u>8,027,699</u>
Expenditures:			
Current:			
Instruction:			
Basic programs	3,316,256	-	3,316,256
Added needs	<u>688,972</u>	<u>-</u>	<u>688,972</u>
Total instruction	<u>4,005,228</u>	<u>-</u>	<u>4,005,228</u>
Support services:			
Pupil	380,240	-	380,240
Instructional staff	63,483	-	63,483
General administration	257,340	-	257,340
School administration	681,595	-	681,595
Business services	13,531	-	13,531
Operations and maintenance	1,315,706	-	1,315,706
Pupil transportation	29,061	-	29,061
Central	399,858	-	399,858
Food service	<u>-</u>	<u>485,582</u>	<u>485,582</u>
Total support services	<u>3,140,814</u>	<u>485,582</u>	<u>3,626,396</u>
Capital outlay	<u>40,345</u>	<u>-</u>	<u>40,345</u>

(continued)

The accompanying notes are an integral part of the financial statements.

**MICHIGAN MATHEMATICS AND SCIENCE ACADEMY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2019**

	<u>General Fund</u>	<u>Nonmajor Governmental Fund</u>	<u>Total Governmental Funds</u>
Debt service:			
Principal:			
General obligation bonds	131,267	-	131,267
Interest:			
General obligation bonds	98,344	-	98,344
State aid anticipation notes	<u>28,543</u>	<u>-</u>	<u>28,543</u>
Total debt service	<u>258,154</u>	<u>-</u>	<u>258,154</u>
Total expenditures	<u>7,444,541</u>	<u>485,582</u>	<u>7,930,123</u>
Excess of revenues over expenditures	97,576	-	97,576
Fund balances at beginning of year	<u>294,326</u>	<u>-</u>	<u>294,326</u>
Fund balances at end of year	<u>\$ 391,902</u>	<u>\$ -</u>	<u>\$ 391,902</u> (concluded)

The accompanying notes are an integral part of the financial statements.

**MICHIGAN MATHEMATICS AND SCIENCE ACADEMY
RECONCILIATION OF THE EXCESS OF REVENUES OVER
EXPENDITURES OF GOVERNMENTAL FUNDS TO THE CHANGE
IN NET POSITION OF GOVERNMENTAL ACTIVITIES
YEAR ENDED JUNE 30, 2019**

Excess of revenues over expenditures - total governmental funds	\$	97,576
---	----	--------

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense (\$182,211) exceeded capitalized expenditures (\$40,345) in the current period.		(141,866)
--	--	-----------

Revenues in the statement of activities that do not provide current financial resources are reported as unavailable revenue in the governmental funds. This is the amount by which unavailable revenues changed from the prior year.		(20,948)
--	--	----------

The changes in the Academy's net pension liability and deferred outflows/inflows of resources related to the pension plan are only reported in the statement of activities.		16,675
---	--	--------

The changes in the Academy's net other postemployment benefits liability and deferred outflows/inflows of resources related to other postemployment benefits are only reported in the statement of activities.		15,776
--	--	--------

The issuance of long-term debt (e.g., bonds, installment contracts) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt uses current financial resources of governmental funds. Neither transaction, however, has any effect on net position. The net effect of these differences in the treatment of long-term debt and related items is summarized as follows:

Principal repayments of general obligation bonds		<u>131,267</u>
Change in net position of governmental activities	\$	<u><u>98,480</u></u>

The accompanying notes are an integral part of the financial statements.

**MICHIGAN MATHEMATICS AND SCIENCE ACADEMY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:				
Local sources	\$ 165,034	\$ 140,843	\$ 142,555	\$ 1,712
State sources	8,342,928	6,753,007	6,738,896	(14,111)
Federal sources	<u>976,088</u>	<u>638,702</u>	<u>660,666</u>	<u>21,964</u>
Total revenues	<u>9,484,050</u>	<u>7,532,552</u>	<u>7,542,117</u>	<u>9,565</u>
Expenditures:				
Current:				
Instruction:				
Basic programs	3,853,093	3,350,620	3,316,256	34,364
Added needs	<u>1,152,876</u>	<u>673,536</u>	<u>688,972</u>	<u>(15,436)</u>
Total instruction	<u>5,005,969</u>	<u>4,024,156</u>	<u>4,005,228</u>	<u>18,928</u>
Support services:				
Pupil	395,857	357,323	380,240	(22,917)
Instructional staff	65,000	64,500	63,483	1,017
General administration	1,247,030	380,521	257,340	123,181
School administration	550,573	661,416	681,595	(20,179)
Business services	134,402	17,590	13,531	4,059
Operations and maintenance	1,550,775	1,319,233	1,315,706	3,527
Pupil transportation	36,318	30,000	29,061	939
Central	<u>451,684</u>	<u>380,992</u>	<u>399,858</u>	<u>(18,866)</u>
Total support services	<u>4,431,639</u>	<u>3,211,575</u>	<u>3,140,814</u>	<u>70,761</u>
Capital outlay	<u>-</u>	<u>-</u>	<u>40,345</u>	<u>(40,345)</u>
Debt service:				
Principal:				
General obligation bonds	1,000,000	269,948	131,267	138,681
Interest:				
General obligation bonds	-	-	98,344	(98,344)
State aid anticipation notes	<u>-</u>	<u>-</u>	<u>28,543</u>	<u>(28,543)</u>
Total debt service	<u>1,000,000</u>	<u>269,948</u>	<u>258,154</u>	<u>11,794</u>
Total expenditures	<u>10,437,608</u>	<u>7,505,679</u>	<u>7,444,541</u>	<u>61,138</u>

(continued)

The accompanying notes are an integral part of the financial statements.

**MICHIGAN MATHEMATICS AND SCIENCE ACADEMY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Excess (deficiency) of revenues over expenditures	(953,558)	26,873	97,576	70,703
Other financing sources: Proceeds from state aid anticipation notes	<u>1,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	46,442	26,873	97,576	70,703
Fund balances at beginning of year	<u>294,326</u>	<u>294,326</u>	<u>294,326</u>	<u>-</u>
Fund balances at end of year	<u>\$ 340,768</u>	<u>\$ 321,199</u>	<u>\$ 391,902</u>	<u>\$ 70,703</u> (concluded)

The accompanying notes are an integral part of the financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

**MICHIGAN MATHEMATICS AND SCIENCE ACADEMY
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of Michigan Mathematics and Science Academy ("the Academy"). The Academy currently does not have fiduciary activities. Governmental activities are generally supported by intergovernmental revenues and other nonexchange transactions.

B. Reporting Entity

The Academy is a public school academy as part of the Michigan Public School System under Public Act No. 362 of 1993. Grand Valley State University is the authorizing governing body for the Academy and has contracted with the Academy to charter the public school through June, 2023. Board members are approved by the authorizing governing body and have decision making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. The Academy receives funding from local, state, and federal sources and must comply with all of the requirements of these funding source entities. However, the Academy is not included in any other governmental reporting entity as defined by accounting principles generally accepted in the United States of America.

These financial statements include the Academy and its component units, entities for which the Academy is considered to be financially accountable. At June 30, 2019, no entities were considered component units of the Academy.

C. Basis of Presentation - Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities incorporate data from governmental funds. Separate financial statements are provided for governmental funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

D. Basis of Presentation - Fund Financial Statements

The fund financial statements provide information about the Academy's funds. Separate statements for each fund category are presented. The emphasis of fund financial statements is on major governmental funds. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

**MICHIGAN MATHEMATICS AND SCIENCE ACADEMY
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019**

The Academy reports the following major governmental fund:

The General Fund is the Academy's primary operating fund. It accounts for all financial resources of the Academy, except those required to be accounted in another fund.

The Academy has the following nonmajor governmental fund:

Special revenue fund:

This fund type accounts for specific revenue sources that are restricted by law or administrative action to expenditure for specific purposes other than debt service or capital projects. The Academy's nonmajor special revenue fund is the School Lunch Fund.

During the course of operations, the Academy has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported as transfers in/out. While reported in fund financial statements, the transfers are eliminated in the preparation of the government-wide financial statements.

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Academy considers revenues to be available if they are collected within 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. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

**MICHIGAN MATHEMATICS AND SCIENCE ACADEMY
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019**

State and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (collected within 60 days of the end of the current fiscal period).

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to public school academies based on information supplied by the academies. For the current year ended, the foundation allowance was based on pupil membership counts taken in February and October of the previous calendar year.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills on Principal Residence Exemption (PRE) property and an allocated portion of state sales and other taxes. The state revenue is recognized during the foundation period and is funded through payments from October to August. Thus, the unpaid portion at June 30 is reported as an intergovernmental receivable.

The Academy also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received and accrued, which are not expended by the close of the fiscal year are recorded as unearned revenue.

All other revenue items are considered to be measurable and available only when cash is received by the Academy.

F. Budgetary Information

Annual budgets are adopted on the GAAP basis of accounting for all governmental funds. The level of control (level at which expenditures may not exceed budget/appropriations) is the fund. The budget appropriations lapse at the end of each fiscal year. The Academy does not utilize an encumbrance system. The Academy follows these procedures in establishing the budgetary data reflected in the financial statements.

1. The Administrator submits to the Board of Directors a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them.

**MICHIGAN MATHEMATICS AND SCIENCE ACADEMY
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019**

2. Prior to July 1, the budget is legally adopted by Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. The budget was amended during the year in accordance with the Act.

G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash and Investments

State statutes authorize the Academy to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The Academy is also authorized to invest in U.S. District or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

2. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenses/expenditures when consumed rather than when purchased.

3. Capital Assets

Capital assets, which include land, building, furniture and equipment, and leasehold improvements, reported in the government-wide financial statements are defined by the Academy as assets with an initial cost of more than \$1,000 per invoice (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

**MICHIGAN MATHEMATICS AND SCIENCE ACADEMY
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019**

The building, furniture and equipment, and leasehold improvements are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Building	40
Furniture and equipment	3-10
Leasehold improvements	5-10

4. *Deferred Outflows/Inflows of Resources*

In addition to assets, the financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The Academy has two items that qualify for reporting in this category in the statement of net position. These items are deferred outflows of resources related to the pension plan (see Note 3.D.1) and deferred outflows of resources related to other postemployment benefits (see Note 3.D.2).

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will *not* be recognized as an inflow of resources (revenues) until that time. The Academy has three items that qualify for reporting in this category. In the statement of net position, the Academy reports deferred inflows of resources related to the pension plan (see Note 3.D.1) and deferred inflows of resources related to other postemployment benefits (see Note 3.D.2). In the governmental funds balance sheet, the Academy reports unavailable revenue from federal sources. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

5. *Long-term Obligations*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net position. Bond premiums and discounts, as well as gains (losses) on refundings, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Gains (losses) on refundings are reported as deferred inflows (outflows) of resources. Bond issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenses.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**MICHIGAN MATHEMATICS AND SCIENCE ACADEMY
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019**

6. *Net Position Flow Assumption*

Sometimes the Academy will fund outlays for a particular purpose from both restricted (e.g., restricted grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Academy's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

7. *Fund Balance Flow Assumptions*

Sometimes the Academy will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the Academy's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

8. *Fund Balance Policies*

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

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

Amounts in the assigned fund balance classification are intended to be used by the Academy for specific purposes but do not meet the criteria to be classified as committed. Intent can be expressed by the Board of Directors or by an individual to whom the Board of Directors delegates authority. The Board of Directors may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

**MICHIGAN MATHEMATICS AND SCIENCE ACADEMY
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019**

H. Program Revenues

Amounts reported as program revenues include 1) charges to individuals or entities that purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Unrestricted state aid, interest, and other internally dedicated resources are reported as general revenues rather than as program revenues.

I. Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets, liabilities, and deferred outflows/inflows of resources; the disclosure of contingent assets and liabilities; and the reported revenues and expenses/expenditures. Actual results could differ from those estimates.

2. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Deposits

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Academy's deposits might not be recovered. The Academy minimizes custodial credit risk on deposits by assessing the credit worthiness of the individual institutions in which it deposits funds. The amount of deposits with each institution is assessed to determine the level of risk it may pose to the Academy in relation to deposits in excess of insured amounts. As of June 30, 2019, the Academy's bank balances were fully insured.

B. Intergovernmental Receivables

Intergovernmental receivables consist of amounts due from the state of Michigan. The Academy considers its intergovernmental receivables to be fully collectible; accordingly, an allowance for uncollectible intergovernmental receivables has not been established.

**MICHIGAN MATHEMATICS AND SCIENCE ACADEMY
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019**

C. Capital Assets

Capital asset activity for the year ended June 30, 2019 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Transfers/ Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 187,088	\$ -	\$ -	\$ 187,088
Capital assets being depreciated:				
Building	1,677,892	-	-	1,677,892
Furniture and equipment	757,537	26,485	-	784,022
Leasehold improvements	<u>643,704</u>	<u>13,860</u>	<u>-</u>	<u>657,564</u>
Total capital assets being depreciated	<u>3,079,133</u>	<u>40,345</u>	<u>-</u>	<u>3,119,478</u>
Less accumulated depreciation for:				
Building	(31,460)	(41,947)	-	(73,407)
Furniture and equipment	(434,861)	(114,522)	-	(549,383)
Leasehold improvements	<u>(480,380)</u>	<u>(25,742)</u>	<u>-</u>	<u>(506,122)</u>
Total accumulated depreciation	<u>(946,701)</u>	<u>(182,211)</u>	<u>-</u>	<u>(1,128,912)</u>
Total capital assets being depreciated, net	<u>2,132,432</u>	<u>(141,866)</u>	<u>-</u>	<u>1,990,566</u>
Governmental activities capital assets, net	<u>\$ 2,319,520</u>	<u>\$ (141,866)</u>	<u>\$ -</u>	<u>\$ 2,177,654</u>

Depreciation expense for the year ended June 30, 2019 was \$182,211. The Academy determined that it was impracticable to allocate depreciation to the various governmental activities as the assets serve multiple functions.

D. Short-term Debt

In September, 2018, the Academy issued a \$800,000 state aid anticipation note. The note is due in monthly installments of \$74,661, including interest at 5%, through August, 2019. The note is secured by future school aid payments. The outstanding balance at June 30, 2019 was \$148,384.

**MICHIGAN MATHEMATICS AND SCIENCE ACADEMY
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019**

The activity during the year was as follows:

<u>Beginning Balance</u>	<u>Additions</u>	<u>Repayments</u>	<u>Ending Balance</u>
\$ 181,032	\$ 800,000	\$ (832,648)	\$ 148,384

E. Long-term Debt

General Obligation Bonds

The Academy issued \$1,267,500 of Public School Academy Revenue Bonds, Series 2017 (General Obligation) that are due in monthly installments of \$13,326 including interest at 4.74%, with a final balloon payment of \$720,052 due in September, 2022. The bonds are collateralized by substantially all assets of the Academy. Payments are to be funded by the operations of the General Fund. Annual debt service requirements are as follows:

<u>Year Ending June 30.</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 118,914	\$ 49,999	\$ 168,913
2021	115,455	44,461	159,916
2022	121,127	38,789	159,916
2023	<u>740,701</u>	<u>8,848</u>	<u>749,549</u>
Total	<u>\$ 1,096,197</u>	<u>\$ 142,097</u>	<u>\$ 1,238,294</u>

The Academy issued \$650,000 of Public School Academy Subordinate Revenue Bonds, Series 2017 (General Obligation) that are due in monthly installments of \$5,842 including interest at 7%, with a final balloon payment of \$506,074 due in September, 2022. The bonds are collateralized by substantially all assets of the Academy. Payments are to be funded by the operations of the General Fund. Annual debt service requirements are as follows:

<u>Year Ending June 30.</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 28,715	\$ 41,389	\$ 70,104
2021	30,791	39,313	70,104
2022	33,017	37,087	70,104
2023	<u>511,805</u>	<u>5,954</u>	<u>517,759</u>
Total	<u>\$ 604,328</u>	<u>\$ 123,743</u>	<u>\$ 728,071</u>

**MICHIGAN MATHEMATICS AND SCIENCE ACADEMY
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019**

Total future debt service requirements for the outstanding debt listed above are as follows:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 147,629	\$ 91,388	\$ 239,017
2021	146,246	83,774	230,020
2022	154,144	75,876	230,020
2023	<u>1,252,506</u>	<u>14,802</u>	<u>1,267,308</u>
Total	<u>\$ 1,700,525</u>	<u>\$ 265,840</u>	<u>\$ 1,966,365</u>

Long-term liability activity for the year ended June 30, 2019 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Adjustments/ Reductions</u>	<u>Ending Balance</u>
Governmental activities:				
General obligation bonds	<u>\$ 1,831,792</u>	<u>\$ -</u>	<u>\$ 131,267</u>	<u>\$ 1,700,525</u>

F. Oversight Fees

The Academy pays an administrative oversight fee of 3% of its state school aid to Grand Valley State University, as set forth by contract, to reimburse the University Board for the cost of execution of its oversight responsibilities. These oversight responsibilities include the monitoring of the Academy's compliance with the terms and conditions of the contract, and the review of its audited financial statements and periodic reports. Oversight fees for the year ended June 30, 2019 totaled \$183,534.

G. Management Agreement and Related Party Transactions

The Academy has entered into a management agreement with Concept Schools ("Concept") for operations of the Academy. The agreement automatically renews each year unless terminated by either party. Although the agreement terms indicate that the Academy is obligated to pay Concept 10% of the per pupil revenues received by the Academy, including grant funding, Concept may charge the Academy a lesser amount for management fees. Management fees for the year ended June 30, 2019 totaled \$30,000.

H. Purchased Services

The Academy leases virtually all employees from an unrelated professional employer organization ("PEO"). Salaries, retirement benefits, Social Security, health insurance, and unemployment taxes are the responsibility of the PEO. The amount payable to the PEO at June 30, 2019 of approximately \$816,000 includes payroll costs earned through June 30, 2019 that will be paid in July and August, 2019.

**MICHIGAN MATHEMATICS AND SCIENCE ACADEMY
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019**

3. OTHER INFORMATION

A. Risk Management

The Academy is exposed to various risks of loss related to torts; thefts of, damage to and destruction of assets; errors and omissions; and workers' compensation for which the Academy carries commercial insurance. The amount of coverage has not decreased nor have the amount of settlements exceeded coverage in the current year or the past three years.

B. Operating Lease

The Academy has entered into a lease agreement through June, 2020 with an unrelated third party for a school building, parking lot and athletic field located in Warren, Michigan. The Academy is responsible for utilities, taxes and maintenance related to the facilities. Rent is payable on a monthly basis and is equal to 1/12th of ten percent (10%) of the unrestricted state school aid and unrestricted grants. Rent expense for the year ended June 30, 2019 was \$600,000.

Future minimum lease payments in years ending June 30 are estimated as follows. These payments will fluctuate based on the amount of Discretionary Payment and PSA-protected payments received by the Academy.

2020	<u>\$ 600,000</u>
------	-------------------

C. Subsequent Events

Management has evaluated subsequent events through October 30, 2019, which is the date the financial statements were available to be issued.

D. Employee Retirement Systems and Plans

1. Michigan Public School Employees' Retirement System (MPERS) Pension Plan

Plan Description. The Michigan Public School Employees' Retirement System (System or MPERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, 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).

**MICHIGAN MATHEMATICS AND SCIENCE ACADEMY
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019**

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 21-year period beginning October 1, 2017 and ending September 30, 2038.

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

Benefit Structure	Pension Contribution Rates		
	Member	Employer	
		Universities	Non-Universities
Basic	0.0 - 4.0%	24.47 %	17.89 %
Member Investment Plan	3.0 - 7.0%	24.47 %	17.89 %
Pension Plus	3.0 - 6.4%	N/A	16.61 %
Pension Plus 2	6.2%	N/A	19.74 %
Defined Contribution	0.0%	19.60 %	13.54 %

**MICHIGAN MATHEMATICS AND SCIENCE ACADEMY
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019**

There were no required contributions to the pension plan from the Academy for the year ended 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 \$131,773 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 0.00000438 percent, which was a decrease of 0.00096655 percent from its proportion measured as of September 30, 2017.

For the year ending June 30, 2019, the Academy recognized pension expense of \$(16,675). At June 30, 2019, the Academy reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between actual and expected experience	\$ 611	\$ 958
Changes of assumptions	30,518	-
Net difference between projected and actual earnings on pension plan investments	-	9,010
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>10,193</u>	<u>100,663</u>
Total	<u>\$ 41,322</u>	<u>\$ 110,631</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in years ending September 30 as follows:

2019	\$ (13,725)
2020	(19,223)
2021	(23,033)
2022	(13,328)

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.

**MICHIGAN MATHEMATICS AND SCIENCE ACADEMY
 NOTES TO BASIC FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2019**

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%
- Pension Plus Plan:	7.00%
- 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: Retirees	RP-2014 Male and Female Combined Healthy Life Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Mortality: Active Members	P-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Notes:

- *Assumption changes as a result of an experience study for the 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 for non-university employers or 1.0554 for university employers].*
- *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 Rate of 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:

**MICHIGAN MATHEMATICS AND SCIENCE ACADEMY
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return *</u>
Domestic equity pools	28.0 %	5.7 %
Private equity pools	18.0	9.2
International equity pools	16.0	7.2
Fixed income pools	10.5	0.5
Real estate / infrastructure pools	10.0	3.9
Absolute return pools	15.5	5.2
Short-term investment pools	<u>2.0</u>	0.0
Total	<u>100.0 %</u>	

* 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 investments, 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 Pension Plus 2 plan provided through non-university employers only). This discount rate was based on the long-term expected rate of return on pension plan investments of 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 Employer'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:

**MICHIGAN MATHEMATICS AND SCIENCE ACADEMY
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019**

1% Decrease	Current Single Discount Rate Assumption	1% Increase
<u>6.05% / 6.00% / 5.00%</u>	<u>7.05% / 7.00% / 6.00%</u>	<u>8.05% / 8.00% / 7.00%</u>
<u>\$ 173,008</u>	<u>\$ 131,773</u>	<u>\$ 97,514</u>

** Discount rates listed in the following order: Basic and Member Investment Plan (MIP), Pension Plus, and Pension Plus 2. Non-university employers provide Basic, MIP, Pension Plus and Pension Plus 2 plans. University employers provide only the Basic and MIP plans.*

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

2. Michigan Public School Employees' Retirement System (MPERS) OPEB plan

Plan Description. The Michigan Public School Employees' Retirement System (System or MPERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, 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

**MICHIGAN MATHEMATICS AND SCIENCE ACADEMY
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019**

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 21-year period beginning October 1, 2017 and ending September 30, 2038.

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

Benefit Structure	OPEB Contribution Rates		
	Member	Employer	
		Universities	Non-Universities
Premium Subsidy	3.00 %	7.67 %	6.44 %
Personal Healthcare Fund (PHF)	0.00 %	7.42 %	6.13 %

**MICHIGAN MATHEMATICS AND SCIENCE ACADEMY
 NOTES TO BASIC FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2019**

There were no required contributions to the OPEB plan from the Academy 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 \$(15,776) 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 0.00%, which was a decrease of 0.0000096539 percent from its proportion measured as of October 1, 2017.

For the year ending June 30, 2019, the Academy recognized OPEB expense of \$(15,776). At June 30, 2019, the Academy reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>\$ 3</u>	<u>\$ 72,603</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense in years ending September 30 as follows:

2019	\$ (15,776)
2020	(15,776)
2021	(15,776)
2022	(15,777)
2023	(9,495)

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.

**MICHIGAN MATHEMATICS AND SCIENCE ACADEMY
 NOTES TO BASIC FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2019**

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 - 11.55%, 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.
Mortality: Active Members	RP-2014 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.

Notes:

- *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 for non-university employers or 1.3472 for university employers].*
- *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.*

**MICHIGAN MATHEMATICS AND SCIENCE ACADEMY
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019**

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return *</u>
Domestic equity pools	28.0 %	5.7 %
Private equity pools	18.0	9.2
International equity pools	16.0	7.2
Fixed income pools	10.5	0.5
Real estate / infrastructure pools	10.0	3.9
Absolute return pools	15.5	5.2
Short-term investment pools	<u>2.0</u>	0.0
Total	<u>100.0 %</u>	

**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 investments, 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.

**MICHIGAN MATHEMATICS AND SCIENCE ACADEMY
 NOTES TO BASIC FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2019**

Sensitivity of the Employer'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:

<u>1% Decrease</u> 6.15%	<u>Current Discount Rate</u> 7.15%	<u>1% Increase</u> 8.15%
<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>

Sensitivity of the Employer'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:

<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>

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.

REQUIRED SUPPLEMENTARY INFORMATION

**EMPLOYEE RETIREMENT AND POSTEMPLOYMENT
BENEFIT PLAN INFORMATION**

**MICHIGAN MATHEMATICS AND SCIENCE ACADEMY
REQUIRED SUPPLEMENTARY INFORMATION -
MICHIGAN PUBLIC SCHOOL EMPLOYEES
RETIREMENT PLAN - PENSION PLAN**

**SCHEDULE OF THE EMPLOYER'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY**

	<u>2018*</u>	<u>2017 *</u>	<u>2016 *</u>	<u>2015*</u>
Employer's proportion of the net pension liability	0.00000438 %	0.00097093 %	0.00093300 %	0.00090500 %
Employer's proportionate share of the net pension liability	\$ 131,773	\$ 251,609	\$ 232,753	\$ 220,949
Covered payroll	\$ -	\$ 81,824	\$ 78,983	\$ 74,891
Employer's proportionate share of the net pension liability as a percentage of covered payroll	N/A	307.50 %	294.69 %	295.03 %
Plan fiduciary net position as a percentage of the total pension liability	62.36 %	64.21 %	63.27 %	63.17 %

* The amounts presented were determined as of September 30 of each fiscal year.

SCHEDULE OF EMPLOYER CONTRIBUTIONS

	<u>Fiscal Year Ended June 30</u>			
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Statutorily-required contribution	\$ -	\$ 4,081	\$ 15,187	\$ 15,640
Contributions in relation to the statutorily-required contribution	<u>-</u>	<u>4,081</u>	<u>15,187</u>	<u>15,640</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ -	\$ 21,442	\$ 79,887	\$ 78,415
Contributions as a percentage of covered payroll	- %	19.03 %	19.01 %	19.95 %

The information in both schedules will accumulate until a full 10-year trend is presented as required by GASB Statement No. 68.

See independent auditor's report.

**2019 MICHIGAN MATHEMATICS AND SCIENCE ACADEMY
REQUIRED SUPPLEMENTARY INFORMATION -
MICHIGAN PUBLIC SCHOOL EMPLOYEES
RETIREMENT PLAN - OPEB PLAN**

**SCHEDULE OF THE EMPLOYER'S PROPORTIONATE
SHARE OF THE NET OPEB LIABILITY**

	<u>2018*</u>	<u>2017*</u>
Employer's proportion of the net OPEB liability	- %	0.000965 %
Employer's proportionate share of the net OPEB liability	\$ -	\$ 85,490
Covered payroll	\$ -	\$ 21,442
Employer's proportionate share of the net OPEB liability as a percentage of covered payroll	N/A	398.70 %
Plan fiduciary net position as a percentage of the total OPEB liability	- %	36.40 %

* *The amounts presented were determined as of September 30 of each fiscal year.*

SCHEDULE OF EMPLOYER CONTRIBUTIONS

	<u>Fiscal Year Ended June 30</u>	
	<u>2019</u>	<u>2018</u>
Statutorily-required contribution	\$ -	\$ 1,267
Contributions in relation to the statutorily-required contribution	<u>-</u>	<u>1,267</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ -	\$ 21,442
Contributions as a percentage of covered payroll	- %	5.91 %

The information in both schedules will accumulate until a full 10-year trend is presented as required by GASB Statement No. 75.

See independent auditor's report.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors
Michigan Mathematics and Science Academy

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, the major fund, and the aggregate remaining fund information of Michigan Mathematics and Science Academy as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Michigan Mathematics and Science Academy's basic financial statements, and have issued our report thereon dated October 30, 2019.

Internal Control over Financial Reporting

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

Muller & Co., LLP

Orland Park, Illinois
October 30, 2019

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors
Michigan Mathematics and Science Academy

Report on Compliance for Each Major Federal Program

We have audited Michigan Mathematics and Science Academy's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Michigan Mathematics and Science Academy's major federal programs for the year ended June 30, 2019. Michigan Mathematics and Science Academy's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Michigan Mathematics and Science Academy's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Michigan Mathematics and Science Academy's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Michigan Mathematics and Science Academy's compliance.

Opinion on Each Major Federal Program

In our opinion, Michigan Mathematics and Science Academy complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control over Compliance

Management of Michigan Mathematics and Science Academy is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Michigan Mathematics and Science Academy's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Michigan Mathematics and Science Academy's internal control over compliance.

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

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

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



Orland Park, Illinois
October 30, 2019

**MICHIGAN MATHEMATICS AND SCIENCE ACADEMY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2019**

	<u>Grant/Project Number</u>	<u>CFDA Number</u>	<u>Approved Awards Amount</u>	<u>(Memo Only) Prior Year Expenditures</u>	<u>Accrued Revenue at July 1, 2018</u>	<u>Adjustments and Transfers</u>	<u>Federal Funds/ Payments In-kind</u>	<u>Expenditures</u>	<u>Accrued Revenue at June 30, 2019</u>	<u>Current Year Cash Transferred to Subrecipient</u>
Other federal awards:										
Passed through the Michigan Department of Education:										
Title I - Low Income 1718	181530	84.010	467,927	467,927	109,490	-	109,490	-	-	-
Title I - Low Income 1819 (M)	191530	84.010	452,911	-	-	-	434,161	452,911	18,750	-
Total Title I - Low Income		84.010	920,838	467,927	109,490	-	543,651	452,911	18,750	-
Title II - Teacher Quality 1718	180520	84.367	60,358	60,358	40,657	-	40,657	-	-	-
Title II - Teacher Quality 1819	190520	84.367	83,773	-	-	-	16,594	83,773	67,179	-
Total Title II - Teacher Quality		84.367	144,131	60,358	40,657	-	57,251	83,773	67,179	-
Title IVA - Student Enrichment 1718	190750	84.424	10,000	9,023	2,962	-	2,962	-	-	-
Title IVA - Student Enrichment 1819	190750	84.424	31,182	-	-	-	17,347	31,182	13,835	-
Total Title IVA - Student Enrichment		84.424	41,182	9,023	2,962	-	20,309	31,182	13,835	-
Food Equipment Grant	181991	10.579	50,000	-	-	-	50,000	-	(50,000)	-
Total noncluster programs passed through Michigan Department of Education			1,156,151	537,308	153,109	-	671,211	567,866	49,764	-
Total federal awards			\$ 1,895,188	\$ 726,004	\$ 165,118	\$ -	\$ 1,202,284	\$ 1,118,207	\$ 81,041	\$ -

(M) - Major program

The accompanying notes are an integral part of this schedule.

**MICHIGAN MATHEMATICS AND SCIENCE ACADEMY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2019**

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Michigan Mathematics and Science Academy (Academy) and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2. INDIRECT FACILITIES AND ADMINISTRATION COSTS

The Academy has elected not to use the 10-percent de minimis cost rate.

NOTE 3. NONCASH ASSISTANCE

Noncash assistance expended by the Academy amounted to \$20,025.

NOTE 4. SUBRECIPIENTS

Of the federal expenditures presented in the schedule, the Academy provided federal awards to subrecipients as follows:

<u>Program Title/Subrecipient Name</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
NONE		\$ -

NOTE 5. OTHER INFORMATION

Insurance coverage in effect paid with federal funds during the fiscal year amounted to zero.

Loans/loan guarantees outstanding at June 30, 2019 amounted to zero.

The Academy had no federal grants requiring matching expenditures during the year ended June 30, 2019.

Management has utilized the MDE Cash Management System (CMS) Grant Auditor Report (GAR) in preparing the SEFA.

NOTE 6. RECONCILIATION TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The following reconciles the federal revenues reported in the statement of revenues, expenditures and changes in fund balances - governmental funds for the year ended June 30, 2019 to the expenditures of the Academy-administered federal programs reported on the schedule of expenditures of federal awards:

Federal revenues - total governmental funds	\$ 1,139,155
Unavailable revenue at June 30, 2018 included in federal revenues for the year ended June 30, 2019:	
Title I	(24,748)
Unavailable revenue at June 30, 2019 to be included in federal revenues for the year ended June 30, 2020:	
Title I	<u>3,800</u>
Total expenditures of federal awards	<u><u>\$ 1,118,207</u></u>

**MICHIGAN MATHEMATICS AND SCIENCE ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: UNMODIFIED

Internal control over financial reporting:

- Material weaknesses identified? Yes None reported
- Significant deficiencies identified that are not considered to be material weaknesses? Yes None reported
- Noncompliance noted? Yes No

Federal Awards

Internal control over major programs:

- Material weaknesses identified? Yes None reported
- Significant deficiencies identified that are not considered to be material weaknesses? Yes None reported

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

Any audit findings disclosed that are required to be reported in accordance with §200.516 (a)? Yes No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I - Low Income

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

Auditee qualified as low-risk auditee? Yes No

**MICHIGAN MATHEMATICS AND SCIENCE ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019**

Section II - Financial Statement Findings

There were none.

Section III - Federal Award Findings and Questioned Costs

There were none.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

There were none.