

FLAT RIVER ACADEMY

REPORT ON FINANCIAL STATEMENTS
**(with required and additional
supplementary information)**

YEAR ENDED JUNE 30, 2022

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Flat River Academy

Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Flat River Academy, as of June 30, 2022, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Flat River Academy and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As discussed in Note 15 to the financial statements, in 2022 the Academy adopted new accounting guidance, GASB Statement No. 87, *Leases*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Flat River Academy's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Flat River Academy's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Flat River Academy's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Flat River Academy's basic financial statements. The accompanying additional supplementary information, as identified in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional supplementary information are 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 26, 2022 on our consideration of Flat River 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 Flat River 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 Flat River Academy's internal control over financial reporting and compliance.

Maney Costeiran PC

October 26, 2022

MANAGEMENT’S DISCUSSION AND ANALYSIS

This section of Flat River Academy’s (Academy) annual financial report presents our discussion and analysis of the public school Academy’s financial performance during the fiscal year that ended on June 30, 2022. Please read it in conjunction with the Academy’s financial statements, which immediately follow this section.

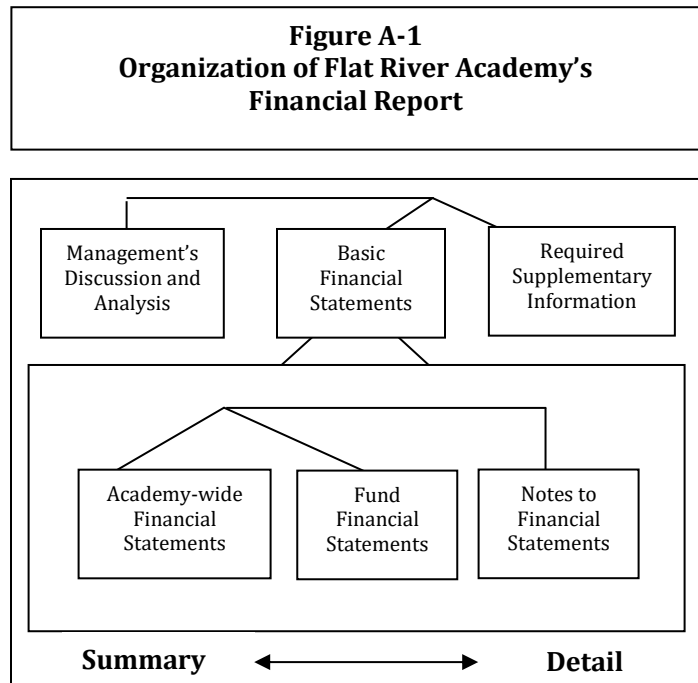
Financial Highlights

- The Academy had an increase in the fund balance in the general fund of \$21,558 compared to a budgeted increase of \$20,690. This gives the Academy a fund balance in the general fund of \$68,227.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts - management’s discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Academy:

- The first two statements are Academy-wide *financial statements* that provide both short-term and long-term information about the Academy’s overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the Academy, reporting the Academy’s operations in more detail than the Academy-wide statements.
- The *governmental funds* statements tell how basic services like regular and special education were financed in the short-term as well as what remains for future spending.



The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the Academy’s budget for the year. Figure A-1 shows how the various parts of the annual report are arranged and related to one another.

Figure A-2 summarizes the major features of the Academy’s financial statements, including the portion of the Academy’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2: Major Features of the Academy-wide and Fund Financial Statements

	Academy-wide Statements	Governmental Funds
Scope	Entire Academy (except fiduciary funds)	All activities of the Academy that are not fiduciary
Required financial statements	* Statement of net position * Statement of activities	* Balance sheet * Statement of revenues, expenditures and changes in fund balances
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable

Academy-wide Statements

The Academy-wide statements report information about the Academy as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the Academy’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two Academy-wide statements report the Academy’s net position and how they have changed. Net position - the difference between the Academy’s assets and liabilities, is one way to measure the Academy’s financial health or position.

- Over time, increases or decreases in the Academy’s net position is an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the Academy, you need to consider additional non-financial factors such as changes in the Academy’s enrollment, the condition of school buildings and other facilities, and the Academy’s ability to be competitive with other public school academies and area school academies.

Governmental activities - The Academy’s basic services are included here, such as regular and special education and administration. State foundation aid finances most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the Academy's funds, focusing on its more significant or "major" funds - not the Academy as a whole. Funds are accounting devices the Academy uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by state law and by debt agreements.
- The Academy establishes other funds to control and manage money for particular purposes (like repaying its long-term debt).

The Academy has one kind of funds:

- Governmental funds - Most of the Academy's basic services are included in governmental funds which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out, and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Academy's programs. Because this information does not encompass the additional long-term focus of the Academy-wide statements, we provide additional information with the governmental funds statement that explains the relationship (or differences) between them.

Financial Analysis of the Academy as a Whole

Net position - the Academy's combined net position of (\$166,602) increased by \$191,540 during the year. See Figures A-3 and A-4. The total revenues increased by 23.8% to \$2,129,032. The increase is primarily due to an increase in student enrollment. State aid foundation allowance included in revenue from state sources accounts for 54.7% of the Academy's revenue. The total cost of instruction increased by 29.3% to \$698,080 primarily due to an increase in student enrollment. Total support services increased by 18.6% to \$819,942.

Figure A-3		
Flat River Academy's Net Position		
	2022	2021*
Current and other assets	\$ 1,026,313	\$ 854,719
Capital assets	1,734,717	1,632,931
Total assets	<u>2,761,030</u>	<u>2,487,650</u>
Deferred outflows	<u>94,071</u>	<u>83,136</u>
Net other postemployment benefit liability	5,175	19,517
Net pension liability	74,454	61,238
Other liabilities	2,860,585	122,535
Long-term liabilities	<u>30,356</u>	<u>2,705,959</u>
Total liabilities	<u>2,970,570</u>	<u>2,909,249</u>
Deferred inflows	<u>51,133</u>	<u>19,679</u>
Net position**		
Net investment in capital assets	(812,785)	(997,797)
Restricted for debt service	601,601	600,624
Restricted for food service	45,484	32,098
Unrestricted	<u>(902)</u>	<u>6,933</u>
Total net position	<u>\$ (166,602)</u>	<u>\$ (358,142)</u>

*The 2021 figures have not been updated for the adoption of GASB 87.

**Certain net position amounts in the prior year figures have been reclassified.

Figure A-4		
Changes in Flat River Academy's Net Position		
	2022	2021*
Revenues		
Program revenues		
Operating grants	<u>\$ 561,502</u>	<u>\$ 423,528</u>
General sources		
State sources - unrestricted	1,164,978	1,027,036
Other local sources	<u>402,552</u>	<u>269,447</u>
Total general revenues	<u>1,567,530</u>	<u>1,296,483</u>
Total revenues	<u>2,129,032</u>	<u>1,720,011</u>
Expenses		
Instruction	698,080	539,972
Support services	819,942	691,111
Food service	105,404	92,641
Interest and fees on long-term debt	172,590	179,400
Unallocated depreciation/amortization	<u>141,476</u>	<u>68,061</u>
Total expenses	<u>1,937,492</u>	<u>1,571,185</u>
Change in net position	<u>\$ 191,540</u>	<u>\$ 148,826</u>

*The 2021 figures have not been updated for the adoption of GASB 87.

Financial Analysis of the Academy's Funds

The Academy's general fund balance increased by \$21,558 to \$68,227. Transfers were made to the debt service fund from the general fund for \$195,165 and transfers were made from the debt service fund to the general fund for \$40,000.

The fund balance in the debt service fund decreased by \$39,626. This is primarily due to general fund transfers to the debt service fund being lower than the scheduled principal and interest payments and fees.

General Fund Budgetary Highlights

Over the course of the year, the Academy revised the general fund annual operating budget when necessary. Changes were made in both the revenue and expenditure which reflected decrease in the anticipated state aid and actual salary figures for staff.

While the Academy's final budget for the general fund anticipated revenues and other financing sources would exceed expenditures and other financing uses by \$20,690, the actual results for the year showed revenues and other financing sources exceeded expenditures and other financing uses by \$21,558.

Actual revenues were \$81,377 lower than budgeted primarily due to lower than anticipated revenue from federal sources. The actual expenditures were \$171,998 over budget primarily related to higher than anticipated basic programs and instructional staff expenditures and capital outlay expenses due to leases.

Capital Asset and Debt Administration

Capital Assets

As of the year ended June 30, 2022, the Academy had invested \$1,734,717 in capital assets net of accumulated depreciation/amortization as summarized in Figure A-5. This amount represents a net increase of \$101,786 from the beginning of the year. Total depreciation/amortization expense for the year was \$141,476. More detailed information about capital assets can be found in Note 4 to the financial statements.

The Academy's capital assets are as follows:

	2022			2021*
	Cost	Accumulated Depreciation/ Amortization	Net Book Value	Net Book Value
Land	\$ 320,000	\$ -	\$ 320,000	\$ 320,000
Building and improvements	2,102,676	921,700	1,180,976	1,225,860
Land improvements	87,000	65,250	21,750	25,230
Furniture and fixtures	319,727	274,427	45,300	57,959
Office equipment	108,070	106,582	1,488	3,882
Right to use - leased equipment	55,026	12,228	42,798	-
Right to use - vehicles	183,608	61,203	122,405	-
Total	\$ 3,176,107	\$ 1,441,390	\$ 1,734,717	\$ 1,632,931

*The 2021 figures have not been updated for the adoption of GASB 87.

Long-term Debt

The Academy entered into a Reverse Dutch Auction during 2022, as a result of this auction the Academy made a principal payment of \$150,000 for a reduction of the debt of \$250,000, resulting in \$100,000 of principal forgiveness. All previous deferred interest payments prior to this event were forgiven, resulting in interest totaling \$209,170 being forgiven. Total debt forgiveness during 2022 totaled \$309,170. Note 5 contains additional details related to the forbearance agreement. Additionally, the Academy implemented GASB Statement No. 87, *Leases*, which created a long-term obligation for the Academy's vehicle and copier leases. At year end, the Academy had total long-term obligations of \$2,551,774. The Academy continued to pay down its obligations, retiring \$321,860 of the outstanding obligations. See Note 5 for more information.

Factors Bearing on the Academy's Future

At the time these financial statements were prepared and audited, the Academy was not aware of existing circumstances that could significantly affect its financial health in the future.

- The Academy has adopted a budget for the 2022-2023 fiscal year showing expenditures exceeding revenues by \$16,893 in the general fund.
- The Academy is working with the debtholders to reduce long-term debt for the upcoming 2022-2023 fiscal year.
- The Academy received an ESSER II allocation of \$162,928, and an ESSER III allocation of \$366,172. The projected use of funds is to address learning loss, make sure the school can routinely operate in a clean & safe environment, and overcome the impacts of the COVID-19 pandemic.
- The Academy's student enrollment has risen the past few school years. The current enrollment for 2022-2023 is 131.

Contacting the Academy's Financial Management

This financial report is designed to provide our students, parents and creditors with a general overview of the Academy's finances and to demonstrate the Academy's accountability for the money it receives. If you have questions about this report or need additional information, contact the Academy at 9481 Jordan Road, Greenville, Michigan, 48838, phone (616) 754-9360.

BASIC FINANCIAL STATEMENTS

**FLAT RIVER ACADEMY
STATEMENT OF NET POSITION
JUNE 30, 2022**

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 13,776
Intergovernmental receivable	436,023
Prepays	5,259
Restricted cash	
Debt service	566,983
Capital projects	4,272
Capital assets not being depreciated/amortized	320,000
Capital assets, net of accumulated depreciation/amortization	1,414,717
TOTAL ASSETS	2,761,030
DEFERRED OUTFLOWS OF RESOURCES	
Related to pension	69,695
Related to other postemployment benefit	24,376
TOTAL DEFERRED OUTFLOWS OF RESOURCES	94,071
LIABILITIES	
Accounts payable	190,511
Accrued oversight fees	6,161
Accrued salaries and related items	110,133
Unearned revenues	2,006
Noncurrent liabilities	
Due within one year	73,217
Due in more than one year	2,478,557
Accrued interest	30,356
Net pension liability	74,454
Net other postemployment benefit liability	5,175
TOTAL LIABILITIES	2,970,570
DEFERRED INFLOWS OF RESOURCES	
Related to pension	24,593
Related to other postemployment benefit	20,993
Related to state aid funding for pension	5,547
TOTAL DEFERRED INFLOWS OF RESOURCES	51,133
NET POSITION	
Net investment in capital assets	(812,785)
Restricted for debt service	601,601
Restricted for food service	45,484
Unrestricted	(902)
TOTAL NET POSITION	\$ (166,602)

See notes to financial statements.

**FLAT RIVER ACADEMY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022**

Functions/Programs	Expenses	Program Revenues		Governmental Activities
		Charges for Services	Operating Grants	Net (Expense) Revenue and Changes in Net Position
Governmental activities				
Instruction	\$ 698,080	\$ -	\$ 339,116	\$ (358,964)
Support services	819,942	-	103,596	(716,346)
Food service	105,404	-	118,790	13,386
Interest and fees on long-term debt	172,590	-	-	(172,590)
Unallocated depreciation/amortization	141,476	-	-	(141,476)
Total governmental activities	<u>\$ 1,937,492</u>	<u>\$ -</u>	<u>\$ 561,502</u>	<u>(1,375,990)</u>
General revenues				
State sources - unrestricted				1,164,978
Local sources				402,487
Investment earnings				<u>65</u>
Total general revenues				<u>1,567,530</u>
CHANGE IN NET POSITION				191,540
NET POSITION, beginning of year				<u>(358,142)</u>
NET POSITION, end of year				<u>\$ (166,602)</u>

See notes to financial statements.

**FLAT RIVER ACADEMY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2022**

	General Fund	Debt Service Fund	Total Nonmajor Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 13,776	\$ -	\$ -	\$ 13,776
Receivables				
Intergovernmental receivable	436,023	-	-	436,023
Due from other funds	62,000	94,536	45,484	202,020
Prepays	5,259	-	-	5,259
Restricted cash	-	566,983	4,272	571,255
	<u>517,058</u>	<u>661,519</u>	<u>49,756</u>	<u>1,228,333</u>
TOTAL ASSETS	\$ 517,058	\$ 661,519	\$ 49,756	\$ 1,228,333
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 190,511	\$ -	\$ -	\$ 190,511
Accrued oversight fees	6,161	-	-	6,161
Accrued salaries and related items	110,133	-	-	110,133
Unearned revenues	2,006	-	-	2,006
Due to other funds	140,020	62,000	-	202,020
	<u>448,831</u>	<u>62,000</u>	<u>-</u>	<u>510,831</u>
TOTAL LIABILITIES	448,831	62,000	-	510,831
FUND BALANCES				
Nonspendable				
Prepays	5,259	-	-	5,259
Restricted				
Debt service	32,438	599,519	-	631,957
Food Service	-	-	45,484	45,484
Capital projects	-	-	4,272	4,272
Assigned for:				
Subsequent years expenditures	16,893	-	-	16,893
Unassigned	13,637	-	-	13,637
	<u>68,227</u>	<u>599,519</u>	<u>49,756</u>	<u>717,502</u>
TOTAL FUND BALANCES	68,227	599,519	49,756	717,502
TOTAL LIABILITIES AND FUND BALANCES	\$ 517,058	\$ 661,519	\$ 49,756	\$ 1,228,333

See notes to financial statements.

**FLAT RIVER ACADEMY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE
SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2022**

Total governmental fund balance		\$ 717,502
Amounts reported for governmental activities in the statement of net position are different because:		
Deferred outflows of resources - related to pensions		69,695
Deferred inflows of resources - related to pensions		(24,593)
Deferred outflows of resources - related to other post employment benefits		24,376
Deferred inflows of resources - related to other post employment benefits		(20,993)
Deferred inflows of resources - related to state funding for pension		(5,547)
Capital assets used in governmental activities are not financial resources and are not reported in the funds:		
The cost of the capital assets is	\$ 3,176,107	
Accumulated depreciation/amortization is	<u>(1,441,390)</u>	
		1,734,717
Long-term liabilities are not due and payable in the current period and are not reported in the funds:		
Direct borrowings and direct placements		(2,551,774)
Accrued interest is not included as a liability in government funds, it is recorded when paid		(30,356)
Net other postemployment benefit liability		(5,175)
Net pension liability		<u>(74,454)</u>
Net position of governmental activities		<u>\$ (166,602)</u>

FLAT RIVER ACADEMY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2022

	General Fund	Debt Service Fund	Total Nonmajor Funds	Total Governmental Funds
REVENUES				
Local sources	\$ 93,317	\$ 65	\$ -	\$ 93,382
State sources	1,271,847	-	534	1,272,381
Federal sources	346,400	-	118,256	464,656
TOTAL REVENUES	1,711,564	65	118,790	1,830,419
EXPENDITURES				
Current				
Instruction				
Basic programs	593,859	-	-	593,859
Added needs	88,663	-	-	88,663
Total instruction	682,522	-	-	682,522
Support services				
Pupil	87,484	-	-	87,484
Instructional staff	35,851	-	-	35,851
General administration	153,224	-	-	153,224
School administration	122,568	-	-	122,568
Business	7,718	44,856	-	52,574
Operation and maintenance	259,782	-	-	259,782
Transportation	100,822	-	-	100,822
Central	2,747	-	-	2,747
Other	6,240	-	-	6,240
Total support services	776,436	44,856	-	821,292
Capital outlay	183,608	-	-	183,608
Food service	-	-	105,404	105,404
Debt service				
Principal retirement	71,860	150,000	-	221,860
Interest and fiscal charges	4,023	-	-	4,023
Total debt service	75,883	150,000	-	225,883
TOTAL EXPENDITURES	1,718,449	194,856	105,404	2,018,709
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(6,885)	(194,791)	13,386	(188,290)
OTHER FINANCING SOURCES (USES)				
Proceeds from leases	183,608	-	-	183,608
Transfers in	40,000	195,165	-	235,165
Transfers out	(195,165)	(40,000)	-	(235,165)
TOTAL OTHER FINANCING SOURCES (USES)	28,443	155,165	-	183,608
NET CHANGE IN FUND BALANCES	21,558	(39,626)	13,386	(4,682)
FUND BALANCES				
Beginning of year	46,669	639,145	36,370	722,184
End of year	<u>\$ 68,227</u>	<u>\$ 599,519</u>	<u>\$ 49,756</u>	<u>\$ 717,502</u>

See notes to financial statements.

**FLAT RIVER ACADEMY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022**

Net change in fund balances total governmental funds \$ (4,682)

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

Governmental funds report capital outlays as expenditures. In the statement of activities these costs are allocated over their estimated useful lives as depreciation/amortization:

Depreciation/amortization expense	(141,476)
Capital outlay	188,236

Accrued interest on certificates of participation is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:

Accrued interest payable, beginning of the year	70,959
Accrued interest payable, end of the year	(30,356)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any affect on net position. Also, governmental funds report the effect of bond discounts and premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The effect of these differences is the treatment of long-term debt and related items and are as follows:

Proceeds from leases	(183,608)
Forgiveness of debt	100,000
Principal repayment	221,860

Revenue reported on the accrual method in the statement of activities. In the governmental funds it is recorded on the modified accrual method and not considered available:

Unavailable revenue, beginning of the year	(10,000)
Unavailable revenue, end of the year	-

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:

Pension related items	(19,017)
Other postemployment benefit related items	181

Restricted revenue reported in the governmental funds that is deferred to offset the deferred outflows related to section 147c pension contributions made subsequent to the measurement period:

State aid funding for pension	(557)
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Change in net position of governmental activities \$ 191,540

FLAT RIVER ACADEMY
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 the Academy. All fiduciary activities are reported only in the fund financial statements. *Governmental activities* normally are supported by intergovernmental revenues.

Reporting Entity

Flat River Academy (the "Academy") is a public school academy as part of the Michigan Public School System under Public Act No. 362 of 1993. Saginaw Valley State University is the authorizing governing body for the Academy and has contracted with the Academy to charter the public school through June 2025. 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 the accounting principles generally accepted in the United States of America. In addition, the Academy's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board (GASB) Statements.

Basis of Presentation - Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental funds.

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

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.

The Academy reports the following *Major Governmental Funds*:

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 for in another fund.

The *Debt Service Fund* accounts for the resources accumulated and payments made for principal and interest on certificates of participation.

FLAT RIVER ACADEMY
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation - Fund Financial Statements (continued)

The Academy reports the following *Nonmajor Governmental Funds*:

The *Special Revenue Fund* accounts for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The Academy accounts for its food service activity in the special revenue fund.

The *Capital Projects Fund* accounts for the acquisition of fixed assets or construction of major capital projects.

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 at gross amounts as transfers in/out. While reported in fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

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 process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

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 to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Academy considers revenues to be available if they are generally 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 leases are reported as other financing sources.

**FLAT RIVER ACADEMY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting (continued)

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 amounts are received during the period or within the availability period for this revenue source (within 60 days of year-end).

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.

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 generally considered to be measurable and available only when cash is received by the Academy.

Budgetary Information

Budgetary Basis of Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and special revenue fund.

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

- a. The Chief Administrative Officer 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. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
- b. 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. Violations, if any, in the general fund are noted in the required supplementary information section.

**FLAT RIVER ACADEMY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgetary Information (continued)

Budgetary Basis of Accounting (continued)

- c. Transfers may be made for budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the Board of Directors.
- d. The budget was amended during the year with supplemental appropriations, the last one approved prior to year-end June 30, 2022. The Academy does not consider these amendments to be significant.

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

Cash and Cash Equivalents

The Academy's cash and cash equivalents are considered to be cash on hand and demand deposit accounts.

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 expenditures/expenses when consumed rather than when purchased.

Capital Assets

Capital assets, as summarized below, are reported in the government-wide financial statements. Capital assets are defined by the Academy as assets with an initial, individual cost of more than \$5,000 and a useful life in excess of one year. Group purchases are evaluated on a case by case basis. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Land and construction in progress, if any, are not depreciated. Right to use assets of the Academy are amortized using the straight-line method over the shorter of the lease period or the estimated useful lives. The other capital assets of the Academy are depreciated using the straight-line method over the following estimated useful lives:

Capital Asset Classes	Lives
Buildings and improvements	3 - 50
Land improvements	25
Furniture and fixtures	10 - 20
Office equipment	3 - 10
Right to use - leased equipment	5
Right to use - vehicles	3

**FLAT RIVER ACADEMY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

Defined Benefit Plans

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

Deferred Outflows

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) 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. There are the deferred charges on pension and other postemployment benefits related items reported in the government-wide statement of net position. A deferred outflow is recognized for pension and other postemployment benefit related items. These amounts are expensed in the plan year in which they apply.

Deferred Inflows

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Academy has three items that qualify for reporting in this category. The first is restricted section 147c state aid deferred to offset deferred outflows related to section 147c pension contributions subsequent to the measurement period. The second and third items are future resources yet to be recognized in relation to the pension and other postemployment benefit actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the pension and other postemployment benefit liability and the actual results. The amounts are amortized over a period determined by the actuary.

Net Position Flow Assumption

Sometimes the Academy will fund outlays for a particular purpose from both restricted (e.g., restricted bond or 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.

**FLAT RIVER ACADEMY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

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.

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 board action prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the board action remains in place until a similar action is taken (the adoption of another board action) 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 official or body to which 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.

Leases

The Academy is a lessee for a noncancelable lease of equipment. The Academy recognizes a lease liability and an intangible right-to-use lease asset in the government-wide financial statements. The Academy recognizes lease liabilities with an initial, individual value of \$20,000.

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

FLAT RIVER ACADEMY
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

Leases (continued)

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

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

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

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

Revenues and Expenditures/Expenses

Program Revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who 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 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.

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 are deferred and amortized over the life of the bonds using the straight line method which approximates the effective interest method over the term of the related debt. Bond issuance costs are reported as expenses in the year in which they are incurred.

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.

**FLAT RIVER ACADEMY
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS

As of June 30, 2022 the Academy had deposits subject to the following risks:

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. As of June 30, 2022, the Academy's general fund bank balance of \$33,929 was fully insured under federal depository insurance coverage. Restricted cash - debt service contains debt service deposits of \$566,983 at June 30, 2022, of which, \$321,255 was exposed to custodial credit risk because it was uninsured and uncollateralized. Restricted cash - capital projects contains capital projects deposits of \$4,272 at June 30, 2022, that was fully insured under federal depository insurance coverage. The carrying value on the books for deposits at the end of the year was \$585,031.

The following summarizes the categorization of these amounts as of June 30, 2022:

	Primary Government
Cash and cash equivalents	\$ 13,776
Restricted cash and cash equivalents - debt service	566,983
Restricted cash and cash equivalents - capital projects	4,272
	\$ 585,031

Certain money market funds are restricted under the terms of the certificates of participation debt agreements primarily for debt service, operating reserves, and capital projects and maintenance and repair of the related facilities.

NOTE 3 - INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables at June 30, 2022 consist of the following:

Governmental units	
State sources	\$ 224,539
Federal sources	211,484
	\$ 436,023

Because of the Academy's favorable collection experience, no allowance for doubtful accounts has been recorded.

**FLAT RIVER ACADEMY
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 - CAPITAL ASSETS

A summary of changes in the Academy's capital assets follows:

	As Restated Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022
Governmental activities				
Capital assets, not being depreciated/amortized				
Land	\$ 320,000	\$ -	\$ -	\$ 320,000
Capital assets, being depreciated/amortized				
Building and improvements	2,101,326	1,350	-	2,102,676
Land improvements	87,000	-	-	87,000
Furniture and fixtures	316,449	3,278	-	319,727
Office equipment	108,070	-	-	108,070
Right to use - leased equipment	55,026	-	-	55,026
Right to use - vehicles	-	183,608	-	183,608
Depreciable/amortizable capital assets	<u>2,667,871</u>	<u>188,236</u>	<u>-</u>	<u>2,856,107</u>
Accumulated depreciation/amortization				
Building and improvements	875,466	46,234	-	921,700
Land improvements	61,770	3,480	-	65,250
Furniture and fixtures	258,490	15,937	-	274,427
Office equipment	104,188	2,394	-	106,582
Right to use - leased equipment	-	12,228	-	12,228
Right to use - vehicles	-	61,203	-	61,203
Total accumulated depreciation/amortization	<u>1,299,914</u>	<u>141,476</u>	<u>-</u>	<u>1,441,390</u>
Net depreciable/amortizable capital assets	<u>1,367,957</u>	<u>46,760</u>	<u>-</u>	<u>1,414,717</u>
Net governmental capital assets	<u>\$ 1,687,957</u>	<u>\$ 46,760</u>	<u>\$ -</u>	<u>\$ 1,734,717</u>

Depreciation/amortization for the fiscal year ended June 30, 2022 amounted to \$141,476. The Academy determined that it was impractical to allocate depreciation/amortization to the various governmental activities as the assets serve multiple functions.

**FLAT RIVER ACADEMY
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - LONG-TERM OBLIGATIONS

The following is a summary of long-term obligations transactions of the Academy for the year ended June 30, 2022:

	<u>Notes from Direct Borrowings and Direct Placements</u>
Balance, July 1, 2021, as restated	\$ 2,690,026
Additions	183,608
Repayments	(221,860)
Forgiveness of debt	<u>(100,000)</u>
Balance, June 30, 2022	2,551,774
Due within one year	<u>73,217</u>
Due in more than one year	<u><u>\$ 2,478,557</u></u>

Interest expense on long-term obligations (government-wide) for the year ended June 30, 2022 was approximately \$173,000.

Long-term obligations currently outstanding at June 30, 2022 is as follows:

Notes from Direct Borrowings and Direct Placements

2006 Series full term certificates of participation originally due in annual principal installments of \$70,000 to \$455,000 through February 1, 2036, plus interest at 6.5%.

\$ 2,385,000

During the 2022 fiscal year, Flat River Academy entered into a three-year lease agreement as lessee for the use of buses. An initial lease liability was recorded in the amount of \$183,608 during the current fiscal year. As of June 30, 2022, the value of the lease liability was \$123,624. Flat River Academy is required to make monthly principal and interest payments of \$5,259. The lease has an interest rate of 2%.

123,624

During the 2021 fiscal year, Flat River Academy entered into a five-year lease agreement as lessee for the use of a copier. An initial lease liability was recorded in the amount of \$55,026 during the current fiscal year. As of June 30, 2022, the value of the lease liability was \$43,150. Flat River Academy is required to make monthly principal and interest payments of \$1,065. The lease has an interest rate of 2%.

43,150

Total long-term obligations

\$ 2,551,774

**FLAT RIVER ACADEMY
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - LONG-TERM OBLIGATIONS (continued)

The Academy's outstanding notes from direct borrowings and direct placements related to governmental activities of \$2,551,774 contains provisions that in an event of default, either by (1) unable to make principal or interest payments (2) false or misrepresentation is made to the lender (3) become insolvent or make an assignment for the benefit of its creditors (4) if the lender at any time in good faith believes that the prospect of payment of any indebtedness is impaired. Upon the occurrence of any default event, the outstanding amounts, including accrued interest become immediately due and payable.

The annual requirements to amortize the certificates of participation outstanding as of June 30, 2022, are as follows:

Year Ending June 30,	Notes from Direct Borrowings and Direct Placements		Total
	Principal	Interest	
2023	\$ 73,217	\$ 157,693	\$ 230,910
2024	74,694	156,215	230,909
2025	82,512	155,026	237,538
2026	146,351	150,476	296,827
2027	145,000	141,376	286,376
2028 - 2032	885,000	552,177	1,437,177
2033 - 2037	1,145,000	209,951	1,354,951
Total	<u>\$ 2,551,774</u>	<u>\$ 1,522,913</u>	<u>\$ 4,074,687</u>

The above principal maturities have been modified from the original terms of the debt agreements to disclose amounts forgiven in a Reverse Dutch Auction. The actual amount of future debt service payments may be modified with the debtholders after the report date. This may significantly impact the amounts to be paid in the current period and could have a significant impact on the cash flow of the Academy.

On April 29, 2022, the Academy completed a Reverse Dutch Auction and a total of \$250,000 aggregate principal amount was retired in lieu of the April 29, 2022 payment. A total of \$250,000 outstanding principal amounts of Certificates were tendered, with all bids at \$600/\$1,000. All bids at the \$600 were accepted because the total bids did not exceed the \$150,000 amount of total available funds for this tender period. All accrued interest owing and outstanding on all Certificates as of April 29, 2022, totaling \$209,170 was waived in full. The Academy paid \$150,000 to cancel \$250,000 principal amounts of Certificates and no interest was paid.

As of the report date, the Academy has ratified a revised forbearance agreement, extending its terms until September 30, 2022 under substantially the same terms as the expiring agreement. The revised agreement continues to call for 20% of the state school aid allocated to the Academy to be deposited into an operating reserve account. The Academy has a good working relationship with the debtholder, and along with Midwest Management Group continues to implement a turn-around plan to among other things, reestablish the pupil membership count and control expenses at levels adequate to pay all debt obligations as they come due. The debtholder has indicated a desire to continue to work with the Academy to implement the turn-around plan to achieve these results.

**FLAT RIVER ACADEMY
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The Michigan Public School Employees' Retirement System (MPERS) (System) 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. MPERS issues a publicly available Annual Comprehensive Financial Report that can be obtained at www.michigan.gov/orsschools.

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 option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act.

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 of Michigan Investment Board serves as the investment fiduciary and custodian for the System.

Benefits Provided - Overall

Participants are enrolled in one of multiple plans based on date of hire and certain voluntary elections. A summary of the plans offered by MPERS is as follows:

<u>Plan Name</u>	<u>Plan Type</u>	<u>Plan Status</u>
Basic	Defined Benefit	Closed
Member Investment Plan (MIP)	Defined Benefit	Closed
Pension Plus	Hybrid	Closed
Pension Plus 2	Hybrid	Open
Defined Contribution	Defined Contribution	Open

Benefits Provided - Pension

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. Retirement benefits for DB plan members are determined by final average compensation and years of service. 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.

Prior to Pension reform of 2010 there were two plans commonly referred to as Basic and the Member Investment Plan (MIP). Basic Plan member's contributions range from 0% - 4%. On January 1, 1987, the Member Investment Plan (MIP) was enacted. MIP members enrolled prior to January 1, 1990, contribute at a permanently fixed rate of 3.9% of gross wages. Members first hired January 1, 1990, or later including Pension Plus Plan members, contribute at various graduated permanently fixed contribution rates from 3.0% - 7.0%.

**FLAT RIVER ACADEMY
NOTES TO FINANCIAL STATEMENTS**

Note 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension Reform 2010

On May 19, 2010, the Governor signed Public Act 75 of 2010 into law. As a result, any member of the Michigan Public School Employees' Retirement System (MPSERS) who became a member of MPSERS after June 30, 2010 is a Pension Plus member. Pension Plus is a hybrid plan that contains a pension component with an employee contribution (graded, up to 6.4% of salary) and a flexible and transferable defined contribution (DC) tax-deferred investment account that earns an employer match of 50% (up to 1% of salary) on employee contributions. Retirement benefits for Pension Plus members are determined by final average compensation and years of service. Disability and survivor benefits are available to Pension Plus members.

Pension Reform 2012

On September 4, 2012, the Governor signed Public Act 300 of 2012 into law. The legislation grants all active members who first became a member before July 1, 2010 and 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 pension. Any changes to a member's pension 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 the reform, members voluntarily chose to increase, maintain, or stop their contributions to the pension fund.

An amount determined by the member's election of Option 1, 2, 3, or 4 described below:

Option 1 - Members voluntarily elected to increase their contributions to the pension fund as noted below and retain the 1.5% pension factor in their pension formula. The increased contribution would begin as of their transition date and continue until they terminate public school employment.

- Basic plan members: 4% contribution
- Member Investment Plan (MIP)-Fixed, MIP-Graded, and MIP-Plus members: a flat 7% contribution

Option 2 - Members voluntarily elected to increase their contribution to the pension fund as stated in Option 1 and retain the 1.5% pension factor in their pension formula. The increased contribution would begin as of their transition date and continue until they reach 30 years of service. If and when they reach 30 years of service, their contribution rates will return to the previous level in place as of the day before their transition date (0% for Basic plan members, 3.9% for MIP-Fixed, up to 4.3% for MIP-Graded, or up to 6.4% for MIP-Plus). The pension formula for any service thereafter would include a 1.25% pension factor.

Option 3 - Members voluntarily elected not to increase their contribution to the pension fund and maintain their current level of contribution to the pension fund. The pension formula for their years of service as of the day before their transition date will include a 1.5% pension factor. The pension formula for any service thereafter will include a 1.25% pension factor.

**FLAT RIVER ACADEMY
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension Reform 2012 (continued)

Option 4 - Members voluntarily elected to no longer contribute to the pension fund and therefore are switched to the Defined Contribution plan for future service as of their transition date. As a DC participant they receive a 4% employer contribution to the tax-deferred 401(k) account and can choose to contribute up to the maximum amounts permitted by the IRS to a 457 account. They vest in employer contributions and related earnings in their 401(k)-account based on the following schedule: 50% at 2 years, 75% at 3 years, and 100% at 4 years of service. They are 100% vested in any personal contributions and related earnings in their 457 account. Upon retirement, if they meet age and service requirements (including their total years of service), they would also receive a pension (calculated based on years of service and final average compensation as of the day before their transition date and a 1.5% pension factor).

Members who did not make an election before the deadline defaulted to Option 3 as described above. Deferred or nonvested public school employees on September 3, 2012, who return to public school employment on or after September 4, 2012, will be considered as if they had elected Option 3 above. Returning members who made the retirement plan election will retain whichever option they chose.

Employees who first work on or after September 4, 2012 choose between two retirement plans: The Pension Plus Plan and a Defined Contribution that provides a 50% employer match up to 3% of salary on employee contributions.

Final Average Compensation (FAC) - Average of highest 60 consecutive months for Basic Plan members and Pension Plus members (36 months for MIP members). FAC is calculated as of the last day worked unless the member elected Option 4, in which case the FAC is calculated at the transition date.

Pension Reform of 2017

On July 13, 2017, the Governor signed Public Act 92 of 2017 into law. The legislation closed the Pension Plus Plan to newly hired employees as of February 1, 2018 and created a new, optional Pension Plus 2 Plan with similar plan benefit calculations but containing a 50/50 cost share between the employee and the employer, including the cost of future unfunded liabilities. The assumed rate of return on the Pension Plus 2 Plan is 6%. Further, under certain adverse actuarial conditions, the Pension Plus 2 Plan will close to new employees if the actuarial funded ratio falls below 85% for two consecutive years. The law included other provisions to the retirement eligibility age, plan assumptions, and unfunded liability payment methods.

Benefits Provided - Other Postemployment Benefit (OPEB)

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 health care recipient. For members who first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP-Graded plan members), the subsidy is the maximum allowed by statute. To limit future liabilities of Other Postemployment Benefits, members who first worked on or after July 1, 2008, (MIP-Plus plan members), have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning January 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date.

**FLAT RIVER ACADEMY
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Retiree Healthcare Reform of 2012

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 will be deposited into their 401(k) accounts.

Regular Retirement (no reduction factor for age)

Eligibility - A Basic plan member may retire at age 55 with 30 years credited service; or age 60 with 10 years credited service. For Member Investment Plan (MIP) members, age 46 with 30 years credited service; or age 60 with 10 years credited service; or age 60 with 5 years of credited service provided member worked through their 60th birthday and has credited service in each of the last 5 years. For Pension Plus Plan (PPP) members, age 60 with 10 years of credited service.

Annual Amount - The annual pension is paid monthly for the lifetime of a retiree. The calculation of a member's pension is determined by their pension election under PA 300 of 2012.

Member Contributions

Depending on the plan selected, member contributions range from 0% - 7% for pension and 0% - 3% for other postemployment benefits. Plan members electing the Defined Contribution plan are not required to make additional contributions.

Employer Contributions

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of pension benefits and OPEB. 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 normal cost is the annual cost assigned under the actuarial funding method, to the current and subsequent plan years. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis.

**FLAT RIVER ACADEMY
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Employer Contributions (continued)

Pension and OPEB contributions made in the fiscal year ending September 30, 2021 were determined as of the September 30, 2018 actuarial valuations. The pension and OPEB benefits, the unfunded (overfunded) actuarial accrued liabilities as of September 30, 2018 are amortized over an 18-year period beginning October 1, 2020 and ending September 30, 2038.

School academies' contributions are determined based on employee elections. There are several different benefit options included in the plan available to employees based on date of hire. Contribution rates are adjusted annually by the ORS. The range of rates is as follows:

	Pension	Other Postemployment Benefit
October 1, 2020 - September 30, 2021	13.39% - 19.78%	7.57% - 8.43%
October 1, 2021 - September 30, 2022	13.73% - 20.14%	7.23% - 8.09%

The Academy's pension contributions for the year ended June 30, 2022 were equal to the required contribution total. Total pension contributions were approximately \$7,000. Of the total pension contributions approximately \$6,000 was contributed to fund the Defined Benefit Plan and approximately \$1,000 was contributed to fund the Defined Contribution Plan.

The Academy's OPEB contributions for the year ended June 30, 2022 were equal to the required contribution total. Total OPEB contributions were approximately \$500. Of the total OPEB contributions approximately \$300 was contributed to fund the Defined Benefit Plan and approximately \$200 was contributed to fund the Defined Contribution Plan.

These amounts, for both pension and OPEB benefit, include contributions funded from State Revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate (100% for pension and 0% for OPEB).

FLAT RIVER ACADEMY
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

Pension Liabilities

The net pension liability was measured as of September 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2020 and rolled-forward using generally accepted actuarial procedures. The Academy's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined.

<u>MPSERS (Plan) Non-university Employers</u>	<u>September 30, 2021</u>	<u>September 30, 2020</u>
Total Pension Liability	\$ 86,392,473,395	\$ 85,290,583,799
Plan Fiduciary Net Position	\$ 62,717,060,920	\$ 50,939,496,006
Net Pension Liability	\$ 23,675,412,475	\$ 34,351,087,793
Proportionate Share	0.00031%	0.00018%
Net Pension Liability for the Academy	\$ 74,454	\$ 61,238

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

For the year ended June 30, 2022, the Academy recognized pension expense of \$25,280.

At June 30, 2022, the Reporting Unit 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>
Changes of assumptions	\$ 4,693	\$ -
Net difference between projected and actual plan investment earnings	-	(23,937)
Differences between expected and actual experience	1,153	(438)
Changes in proportion and differences between employer contributions and proportionate share of contributions	57,998	(218)
Reporting Unit's contributions subsequent to the measurement date	5,851	-
	<u>\$ 69,695</u>	<u>\$ (24,593)</u>

**FLAT RIVER ACADEMY
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

\$5,851, reported as deferred outflows of resources related to pensions resulting from Academy employer contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

Other amounts reported as deferred outflows of resources and (deferred inflows) of resources related to pensions will be recognized in pension expense as follows:

Year Ended September 30,	Amount
2022	\$ 17,961
2023	15,473
2024	8,294
2025	(2,477)

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

OPEB Liabilities

The net OPEB liability was measured as of September 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation date of September 30, 2020 and rolled-forward using generally accepted actuarial procedures. The Academy's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined.

<i>MPSERS (Plan) Non-university Employers</i>	September 30, 2021	September 30, 2020
Total OPEB liability	\$ 12,046,393,511	\$ 13,206,903,534
Plan fiduciary net position	\$ 10,520,015,621	\$ 7,849,636,555
Net OPEB liability	\$ 1,526,377,890	\$ 5,357,266,979
Proportionate share	0.00034%	0.00036%
Net OPEB liability for the Academy	\$ 5,175	\$ 19,517

**FLAT RIVER ACADEMY
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

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

For the year ended June 30, 2022, the Academy recognized OPEB expense of \$137.

At June 30, 2022, the Reporting Unit reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual plan investment earnings	\$ -	\$ (3,901)
Differences between expected and actual experience	-	(14,773)
Changes of assumptions	4,326	(647)
Changes in proportion and differences between employer contributions and proportionate share of contributions	19,948	(1,672)
Reporting Unit's contributions subsequent to the measurement date	102	-
	\$ 24,376	\$ (20,993)

\$102, reported as deferred outflows of resources related to OPEB resulting from Academy employer contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year.

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

Year Ended September 30,	Amount
2022	\$ 930
2023	1,258
2024	1,414
2025	1,244
2026	(1,381)
2027	(184)

**FLAT RIVER ACADEMY
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions

Investment Rate of Return for Pension - 6.80% a year, compounded annually net of investment and administrative expenses for the MIP, Basic and Pension Plus groups and 6.00% a year, compounded annually net of investment and administrative expenses for Pension Plus 2 Plan.

Investment Rate of Return for OPEB - 6.95% a year, compounded annually net of investment and administrative expenses.

Salary Increases - The rate of pay increase used for individual members is 2.75% - 11.55%, including wage inflation at 2.75%.

Inflation - 3.0%.

Mortality Assumptions -

Retirees: RP-2014 Male and Female Healthy Annuitant Mortality Tables scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Active: RP-2014 Male and Female Employee Annuitant Mortality Tables scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Disabled Retirees: RP-2014 Male and Female Disabled Annuitant Mortality Tables.

Experience Study - The annual actuarial valuation report of the System used for these statements is dated September 30, 2020. Assumption changes as a result of an experience study for the periods 2012 through 2017 have been adopted by the System for use in the determination of the total pension and OPEB liability beginning with the September 30, 2018 valuation.

The Long-Term Expected Rate of Return on Pension and Other Postemployment Benefit Plan Investments - The pension rate was 6.80% (MIP, Basic, and Pension Plus Plan) and 6.00% for Pension Plus 2 Plan, and the other postemployment benefit rate was 6.95%, net of investment and administrative expenses was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension and 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.

Cost of Living Pension Adjustments - 3.0% annual non-compounded for MIP members.

Healthcare Cost Trend Rate for Other Postemployment Benefit - Pre 65, 7.75% for year one and graded to 3.5% in year fifteen. Post 65, 5.25% for year one and graded to 3.5% in year fifteen.

**FLAT RIVER ACADEMY
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

Additional Assumptions for Other Postemployment Benefit Only - Applies to Individuals Hired Before September 4, 2012:

Opt Out Assumption - 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 coverage 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.

The target asset allocation at September 30, 2021 and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Investment Category</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return*</u>
Domestic Equity Pools	25.0%	5.4%
International Equity Pools	15.0%	7.5%
Private Equity Pools	16.0%	9.1%
Real Estate and Infrastructure Pools	10.0%	5.4%
Fixed Income Pools	10.5%	-0.7%
Absolute Return Pools	9.0%	2.6%
Real Return/Oppportunistic Pools	12.5%	6.1%
Short Term Investment Pools	2.0%	-1.3%
	<u>100.0%</u>	

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

Rate of Return - For fiscal year ended September 30, 2021, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was 27.3% and 27.14%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Pension Discount Rate - A single discount rate of 6.80% was used to measure the total pension liability (6.00% for the Pension Plus 2 Plan). This discount rate was based on the expected rate of return on pension plan investments of 6.80% (6.00% for the Pension Plus 2 Plan). The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions from school academies will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those 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.

**FLAT RIVER ACADEMY
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

OPEB Discount Rate - A single discount rate of 6.95% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 6.95%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that school academies contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the Reporting Unit's proportionate share of the net pension liability calculated using a single discount rate of 6.80% (6.00% for the Pension Plus 2 Plan), as well as what the Reporting Unit's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Pension		
	1% Decrease	Discount Rate	1% Increase
Reporting Unit's proportionate share of the net pension liability	<u>\$ 106,450</u>	<u>\$ 74,454</u>	<u>\$ 47,928</u>

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate - The following presents the Reporting Unit's proportionate share of the net OPEB liability calculated using a single discount rate of 6.95%, as well as what the Reporting Unit's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Other Postemployment Benefits		
	1% Decrease	Discount Rate	1% Increase
Reporting Unit's proportionate share of the net other postemployment benefit liability	<u>\$ 9,617</u>	<u>\$ 5,175</u>	<u>\$ 1,406</u>

Sensitivity to the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates - The following presents the Reporting Unit's proportionate share of the net other postemployment benefit liability calculated using the healthcare cost trend rate, as well as what the Reporting Unit's proportionate share of the net other postemployment benefit liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Other Postemployment Benefit		
	Current		
	Healthcare Cost		
	1% Decrease	Trend Rates	1% Increase
Reporting Unit's proportionate share of the net other postemployment benefits liability	<u>\$ 1,260</u>	<u>\$ 5,175</u>	<u>\$ 9,581</u>

**FLAT RIVER ACADEMY
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension and OPEB Plan Fiduciary Net Position

Detailed information about the pension and OPEB's fiduciary net position is available in the separately issued Michigan Public School Employees' Retirement System 2021 Annual Comprehensive Financial Report.

Payable to the Pension and OPEB Plan - At year end the Academy is current on all required pension and other postemployment benefit plan payments. Amounts accrued at year end for accounting purposes are separately stated in the financial statements as a liability titled accrued retirement. These amounts represent current payments for June paid in July, accruals for summer pay primarily for teachers, and the contributions due from State Revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL).

NOTE 7 - TRANSFERS

Transfers between the governmental funds were as follows:

Transfers Out		Transfers In	
General fund	\$ 195,165	Debt service fund	\$ 195,165
Debt service fund	40,000	General fund	40,000
	\$ 235,165		\$ 235,165

Transfers were made from the general fund to the debt service fund in line with the forbearance agreement.

NOTE 8 - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivable and payable balances at June 30, 2022 are as follows:

Receivable Fund		Payable Fund	
General fund	\$ 62,000	General fund	\$ 140,020
Debt service fund	94,536	Debt service fund	62,000
Food service fund	45,484		
	\$ 202,020		\$ 202,020

The outstanding balances between funds results mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, (3) payments between funds are made.

**FLAT RIVER ACADEMY
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - INTERFUND RECEIVABLES AND PAYABLES (continued)

On April 24, 2014, the Academy executed a third amendment to its financing agreement, assignment agreement and trust agreement with U.S. Bank. Under the terms of the amended agreements the Academy was able to waive certain debt service payments from the general fund to the debt service fund. Under the terms of the Forbearance agreement executed in September 2015 (Note 4), the Academy was able to draw down \$160,000 of protective advances; \$50,000 from the Certificate Account and \$110,000 from the Certificate Reserve Account. The protective advances were used in September and October of 2015 to pay approximately \$160,000 of trustee approved operating expenditures. The balance as of June 30, 2022 is the amount the General Fund has yet to pay to the debt service fund.

NOTE 9 - OVERSIGHT FEES

The Academy pays an administrative oversight fee of 3% of its state school aid discretionary and Proposal A obligation payments to Saginaw Valley State University Board of Trustees, 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. During the year ended June 30, 2022, the Academy incurred expense of approximately \$34,000 for oversight fees.

NOTE 10 - MANAGEMENT AGREEMENT

The Academy maintains a management agreement with Midwest Schools Services, Inc. for operation of the Academy from July 1, 2021 through June 30, 2025. Under the terms of the management agreement, Midwest's compensation for operating the Academy was 9% of state aid entitlement for the fiscal year ending June 30, 2022, plus certain other fees, as prorated for the term of service. The total management fee incurred through the year ended June 30, 2022 was approximately \$104,000. As of June 30, 2022 approximately \$143,000 was owed to Midwest School Services, Inc.

NOTE 11 - PURCHASED SERVICES

The Academy leases all employee services from Midwest School Services, Inc. Salaries, retirement, social security, health insurance, and unemployment taxes are the responsibility of Midwest School Services, Inc.

NOTE 12 - RISK MANAGEMENT

The Academy is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. To minimize the risk, the Academy carries commercial insurance.

**FLAT RIVER ACADEMY
NOTES TO FINANCIAL STATEMENTS**

NOTE 13 - CONTINGENT LIABILITIES

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

NOTE 14 - UPCOMING ACCOUNTING PRONOUNCEMENT

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

NOTE 15 - CHANGE IN ACCOUNTING PRINCIPLE

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

Summary:

Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, was issued by the GASB in June 2017. The objective of this Statement is to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use the underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

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

	Capital Asset	Long-term Obligations
Balances as of July 1, 2021, as previously stated	\$ 1,632,931	\$ 2,635,000
Adoption of GASB Statement 87	55,026	55,026
Balances as of July 1, 2021, as restated	\$ 1,687,957	\$ 2,690,026

REQUIRED SUPPLEMENTARY INFORMATION

**FLAT RIVER ACADEMY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2022**

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Local sources	\$ 500	\$ 104,000	\$ 93,317	\$ (10,683)
State sources	1,234,020	1,238,198	1,271,847	33,649
Federal sources	417,339	450,743	346,400	(104,343)
TOTAL REVENUES	1,651,859	1,792,941	1,711,564	(81,377)
EXPENDITURES				
Current				
Instruction				
Basic programs	554,119	557,267	593,859	(36,592)
Added needs	114,613	130,247	88,663	41,584
Total instruction	668,732	687,514	682,522	4,992
Support services				
Pupil	92,186	87,801	87,484	317
Instructional staff	20,135	13,475	35,851	(22,376)
General administration	162,762	160,733	153,224	7,509
School administration	140,042	135,152	122,568	12,584
Business	8,393	7,693	7,718	(25)
Operation and maintenance	148,153	279,095	259,782	19,313
Transportation	147,228	165,139	100,822	64,317
Central	10,800	3,608	2,747	861
Other	13,755	6,241	6,240	1
Total support services	743,454	858,937	776,436	82,501
Capital outlay	-	-	183,608	(183,608)
Debt service				
Principal retirement	-	-	71,860	(71,860)
Interest and fiscal charges	-	-	4,023	(4,023)
Total debt service	-	-	75,883	(75,883)
TOTAL EXPENDITURES	1,412,186	1,546,451	1,718,449	(171,998)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	239,673	246,490	(6,885)	(253,375)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	40,000	40,000
Transfers out	(227,334)	(225,800)	(195,165)	30,635
Proceeds from leases	-	-	183,608	183,608
TOTAL OTHER FINANCING SOURCES (USES)	(227,334)	(225,800)	28,443	254,243
NET CHANGE IN FUND BALANCE	\$ 12,339	\$ 20,690	21,558	\$ 868
FUND BALANCE				
Beginning of year			46,669	
End of year			\$ 68,227	

**FLAT RIVER ACADEMY
SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
LAST TEN FISCAL YEARS (DETERMINED AS OF PLAN YEAR ENDED SEPTEMBER 30)**

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Reporting Unit's proportion of net pension liability (%)	0.00031%	0.00018%	0.00001%
Reporting Unit's proportionate share of net pension liability	\$ 74,454	\$ 61,238	\$ 4,590
Reporting Unit's covered-employee payroll	\$ 35,250	\$ 34,000	\$ 2,750
Reporting Unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	211.22%	180.11%	166.91%
Plan fiduciary net position as a percentage of total pension liability (Non-university employers)	72.60%	59.72%	60.31%

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, the Academy presents information for those years for which information is available.

FLAT RIVER ACADEMY
SCHEDULE OF THE REPORTING UNIT'S PENSION CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
LAST TEN FISCAL YEARS (DETERMINED AS OF THE YEAR ENDED JUNE 30)

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Statutorily required contributions	\$ 6,263	\$ 6,297	\$ 4,951
Contributions in relation to statutorily required contributions	<u>6,263</u>	<u>6,297</u>	<u>4,951</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reporting Unit's covered-employee payroll	\$ 36,362	\$ 35,000	\$ 28,500
Contributions as a percentage of covered-employee payroll	17.22%	17.99%	17.37%

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, the Academy presents information for those years for which information is available.

**FLAT RIVER ACADEMY
SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE
SHARE OF THE NET OPEB LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
LAST TEN FISCAL YEARS (DETERMINED AS OF PLAN YEAR ENDED SEPTEMBER 30)**

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Reporting Unit's proportion of net other postemployment benefit liability (%)	0.00034%	0.00036%	0.00003%
Reporting Unit's proportionate share of net other postemployment benefit liability	\$ 5,175	\$ 19,517	\$ 2,176
Reporting Unit's covered-employee payroll	\$ 35,250	\$ 34,000	\$ 2,750
Reporting Unit's proportionate share of net other postemployment benefit liability as a percentage of its covered-employee payroll	14.68%	57.40%	79.13%
Plan fiduciary net position as a percentage of total other postemployment benefit liability (Non-university employers)	87.33%	59.44%	48.46%

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, the Academy presents information for those years for which information is available.

FLAT RIVER ACADEMY
SCHEDULE OF THE REPORTING UNIT'S OPEB CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
LAST TEN FISCAL YEARS (DETERMINED AS OF THE YEAR ENDED JUNE 30)

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Statutorily required other postemployment benefit contributions	\$ 318	\$ 620	\$ 2,175
Other postemployment benefit contributions in relation to statutorily required contributions	<u>318</u>	<u>620</u>	<u>2,175</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reporting Unit's covered-employee payroll (OPEB)	\$ 36,362	\$ 35,000	\$ 28,500
Other postemployment benefit contributions as a percentage of covered-employee payroll	0.88%	1.77%	7.63%

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, the Academy presents information for those years for which information is available.

FLAT RIVER ACADEMY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2022

NOTE 1 - PENSION INFORMATION

Benefit Changes - there were no changes of benefit terms in 2021.

Changes of Assumptions - there were no changes of assumptions in 2021.

NOTE 2 - OPEB INFORMATION

Benefit Changes - there were no changes of benefit terms in 2021.

Changes of Assumptions - the assumption changes for 2021 were:

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

ADDITIONAL SUPPLEMENTARY INFORMATION

**FLAT RIVER ACADEMY
NONMAJOR GOVERNMENTAL FUND TYPES
COMBINING BALANCE SHEET
JUNE 30, 2022**

	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total Nonmajor Funds</u>
ASSETS			
Restricted cash	\$ -	\$ 4,272	\$ 4,272
Due from other funds	<u>45,484</u>	<u>-</u>	<u>45,484</u>
TOTAL ASSETS	<u><u>\$ 45,484</u></u>	<u><u>\$ 4,272</u></u>	<u><u>\$ 49,756</u></u>
FUND BALANCES			
Restricted			
Food service	\$ 45,484	\$ -	\$ 45,484
Capital projects	<u>-</u>	<u>4,272</u>	<u>4,272</u>
TOTAL FUND BALANCES	<u><u>\$ 45,484</u></u>	<u><u>\$ 4,272</u></u>	<u><u>\$ 49,756</u></u>

**FLAT RIVER ACADEMY
NONMAJOR GOVERNMENTAL FUND TYPES
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2022**

	Special Revenue Fund	Capital Projects Fund	Total Nonmajor Funds
REVENUES			
State sources	\$ 534	\$ -	\$ 534
Federal sources	118,256	-	118,256
TOTAL REVENUES	118,790	-	118,790
EXPENDITURES			
Salaries	35,557	-	35,557
Benefits	8,205	-	8,205
Food	61,367	-	61,367
Other	275	-	275
TOTAL EXPENDITURES	105,404	-	105,404
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	13,386	-	13,386
FUND BALANCES			
Beginning of year	32,098	4,272	36,370
End of year	<u>\$ 45,484</u>	<u>\$ 4,272</u>	<u>\$ 49,756</u>



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**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
Flat River 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, each major fund, and the aggregate remaining fund information of Flat River Academy, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Flat River Academy's basic financial statements, and have issued our report thereon dated October 26, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Flat River Academy's internal control over financial reporting (internal control) as a basis for designing 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 Flat River Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of Flat River 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Flat River 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 financial statements. 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.

Maney Costeiran PC

October 26, 2022



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October 26, 2022

To the Board of Education
Flat River Academy

In planning and performing our audit of the financial statements of Flat River Academy as of and for the year ended June 30, 2022, in accordance with auditing standards generally accepted in the United States of America, we considered Flat River Academy's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, during our audit, we noted one matter involving the internal control and other operational matters that is presented for your consideration. This letter does not affect our report dated October 26, 2022 on the financial statements of Flat River Academy. We will review the status of this comment during our next audit engagement. Our comment and recommendation, which has been discussed with appropriate members of management, is intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss this comment in further detail at your convenience, perform any additional study of this matter, or assist you in implementing the recommendation. Our comment is summarized as follows.

Food Service Fund Balance

Per Michigan Department of Education (MDE) guidelines, school food authorities (SFA) must operate food services on a nonprofit basis. We noted that the food service fund balance exceeded the three months' operating expenditures allowed. MDE requires that the SFA spend down the excess by the end of the next school year. We recommend that Flat River Academy develop a plan to spend down the excess by June 30, 2023.

Early Warning Legislation

Per Section 1219 of Public Act 109, a school with a general fund balance under 5% of its general fund revenues in either of the two most recently completed fiscal years is subject to Early Warning Legislation requirements. At June 30, 2022, the Academy had a fund balance that is under 5% of its general fund revenue, thus will be subject to Early Warning Legislation requirements for at least two years. Auditors communicated this with the management company, who was aware of the requirement and outcome.

This report is intended solely for the information and use of management and others within the Academy and is not intended to be, and should not be, used by anyone other than these specified parties.

We appreciate the cooperation we received from your staff during our engagement and the opportunity to be of service.

Very truly yours,

Maney Costeiran PC



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October 26, 2022

To the Board of Directors
Flat River Academy

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Flat River Academy for the year ended June 30, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Flat River Academy are described in Note 1 to the financial statements. During fiscal year 2022, the Academy implemented Governmental Accounting Standard No. 87, *Leases*. We noted no transactions entered into by the Academy during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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

Estimates have been used to calculate the net pension liability and the net other postemployment benefit liability. We evaluated the key factors and assumptions used to develop the balance of the net pension liability and net other postemployment benefit liability in determining that they are reasonable in relation to the financial statements taken as a whole.

Management's determination of the estimated life span of the capital assets. We evaluated the key factors and assumptions used by management to develop the estimated life span of the capital assets in determining that it is reasonable in relation to the financial statements taken as a whole. In addition, certain amounts included in capital assets have been estimated based on an outside appraisal company.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. We did not identify any sensitive disclosures.

The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 26, 2022.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

We applied certain limited procedures to the required supplementary information (RSI) which are required and supplement the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

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

Restriction on Use

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

Very truly yours,

Manes Costeiran PC