Henry Ford Academy

Financial Report
with Supplemental Information
June 30, 2018

Henry Ford Academy

Contents

Independent Auditor's Report	1-2
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*	3-4
Management's Discussion and Analysis	5-8
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position	9
Statement of Activities	10
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	11
Reconciliation of the Balance Sheet to the Statement of Net Position	12
Statement of Revenue, Expenditures, and Changes in Fund Balances	13
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances to the Statement of Activities	14
Notes to Financial Statements	15-27
Required Supplemental Information	28
Budgetary Comparison Schedule - General Fund	29
Schedule of Proportionate Share of the Net Pension Liability	30
Schedule of Pension Contributions	31
Schedule of Proportionate Share of the Net OPEB Liability	32
Schedule of OPEB Contributions	33
Notes to Required Supplemental Information	34

plante moran

Plante & Moran, PLLC
Suite 100
1111 Michigan Ave.
East Lansing, MI 48823
Tel: 517.332.6200
Fax: 517.332.8502
plantemoran.com

Independent Auditor's Report

To the Board of Directors
Henry Ford Academy

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Emphasis of Matter

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

Praxity
MEMBER
GLOBAL ALLIANCE OF INDEPENDENT FIRMS

To the Board of Directors
Henry Ford Academy

Required Supplemental Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2018 on our consideration of Henry Ford Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Henry Ford Academy's internal control over financial reporting and compliance.

Plante & Moran, PLLC

October 24, 2018

plante moran

Plante & Moran, PLLC
Suite 100
1111 Michigan Ave.
East Lansing, MI 48823
Tel: 517.332.6200
Fax: 517.332.8502
plantemoran.com

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

Independent Auditor's Report

To Management and the Board of Directors
Henry Ford Academy

We have audited, 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, the financial statements of the governmental activities and the major fund of Henry Ford Academy (the "Academy"), as of and the year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated October 24, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Academy's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 Academy'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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control that we consider to be significant deficiencies. During the course of our audit, we noted multiple instances in which the general accounting controls did not result in the proper recording of particular items as follows:

During testing of revenue, we noted two checks that were not deposited timely as a result of employee turnover. This can result in the understatement of related balances, including revenue, and reduces the cash resources available to the Academy.

During testing of employee compensation, we noted two instances in which liabilities were improperly recorded on the fund level. Specifically, compensated absences and insurance claims incurred but not yet invoiced were recorded on the fund level; however, they should be recorded on the government-wide level only. This can result in the misstatement of related account balances.

We recommend Henry Ford Academy review its general accounting controls and improve them in a way that would address the issues identified.

Praxity
MEMBER
GLOBAL ALLIANCE OF INDEPENDENT FIRMS

To Management and the Board of Directors
Henry Ford Academy

Compliance and Other Matters

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

The Academy's Responses to Findings

The Academy's responses to the findings is to perform a review of its general accounting controls and make improvements where necessary to prevent the identified issues from occurring. The Academy's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 Academy'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 Academy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plante & Moran, PLLC

October 24, 2018

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

Using this Annual Report

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

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

Basic Financial Statements

Government-wide Financial Statements

Fund Financial Statements

Notes to Financial Statements

Required Supplemental Information

Budgetary Information for Major Fund

Schedules of the Academy's Proportionate Share of the Net Pension and Net OPEB Liabilities

Schedules of the Academy's Pension and OPEB Contributions

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

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

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

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

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

The Academy's fund financial statements provide detailed information about the most significant funds - not the Academy as a whole. Some funds are required to be established by state law and by bond covenants. However, the Academy establishes many other funds to help it control and manage money for particular purposes (the Food Service Fund is an example).

Governmental Funds

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

The Academy as a Whole

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

	Governmental Activities	
	2018	2017
	(in thousands)	
Assets - Current	$ 1,197.4	$ 1,213.8
Deferred Outflows of Resources	1,520.8	924.8
Liabilities		
Current liabilities	1,162.0	1,192.3
Noncurrent liabilities	71.8	-
Net pension liability	6,319.2	6,149.7
Net OPEB liability	2,161.4	-
Total liabilities	9,714.4	7,342.0
Deferred Inflows of Resources	708.6	209.8
Net Position - Unrestricted	**$ (7,704.8)**	**$ (5,413.2)**

The above analysis focuses on net position (deficit). The change in net position of the Academy's governmental activities is discussed below. The Academy's net position was a deficit of approximately $7.7 million at June 30, 2018. The Academy is able to fund its operations through its partnership with The Henry Ford (the "Museum"), which advances funds in anticipation of governmental revenue. The Academy has no capital assets or related debt at June 30, 2018.

The deficit of $7.7 million in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. Included within the deficit are liabilities totaling approximately $8.5 million for the Academy's proportionate share of the net pension and OPEB liability related to the Michigan Public Schools Employees' Retirement System. The operating results of the General Fund have an impact on the change in unrestricted net position from year to year.

As required by the Governmental Accounting Standards Board (GASB), the Academy adopted GASB Statement No. 75. This standard required the inclusion of the Academy's proportionate share of the Michigan Public School Employees' Retiree Health Care Plan within the Academy's financial statements, effective July 1, 2017. The effect of the adoption was to decrease July 1, 2017 beginning net position by $2,189,951 and to include the net OPEB obligation and related deferred inflows and outflows of resources in the June 30, 2018 financial statements. All governments participating in the plan were required to adopt this new standard.

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

	Governmental Activities	
	2018	2017
	(in thousands)	
Revenue		
Program revenue:		
Charges for services	$ 105.9	$ 112.1
Operating grants	659.1	513.6
General revenue:		
State aid not restricted to specific purposes	4,246.8	4,141.3
Other	27.3	38.0
Total revenue	5,039.1	4,805.0
Expenses		
Instruction	2,877.7	2,662.5
Support services	2,070.4	2,030.9
Athletics	54.2	63.4
Food services	136.6	134.1
Community services	1.8	2.5
Total expenses	5,140.7	4,893.4
Change in Net Position	(101.6)	(88.4)
Net Position - Beginning of year, as previously reported	(5,413.2)	(5,324.8)
Cumulative Effect of Change in Accounting	(2,190.0)	-
Net Position - Beginning of year	(7,603.2)	(5,324.8)
Net Position - End of year	**$ (7,704.8)**	**$ (5,413.2)**

As reported in the statement of activities, the cost of all of our governmental activities this year was approximately $5.1 million. Certain activities were partially funded from those who benefited from the programs (approximately $105,900) or by other governments and organizations that subsidized certain programs with grants and contributions (approximately $659,100). We paid for the remaining "public benefit" portion of our governmental activities with approximately $4.2 million in state foundation allowance and with our other revenue (i.e., interest and general entitlements).

The Academy experienced a decrease in net position of approximately $101,600. The key reason for the change in net position was the recording of a compensated absence liability as a result of a new PTO policy that was implemented during the current year

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

The Academy's Funds

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

As the Academy completed this year, the governmental funds reported a combined fund balance of $0, which is consistent with the prior year. The absence of a fund balance is expected and creates no reason for concerns as The Henry Ford maintains a grant fund that allows it to supplement academy shortfalls.

General Fund Budgetary Highlights

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

There was a significant variance between the final budget and actual amount for support services - pupil. The actual amount was approximately $47,000 higher than the final budget due to increased fringe benefit costs. There was a significant variance between the final budget and actual amount for support services - instructional staff. The actual amount was approximately $24,000 higher than the final budget mainly due to increased fringe benefit costs.

Economic Factors and Next Year's Budgets and Rates

Our elected officials and administration consider many factors when setting the Academy's 2018-2019 fiscal year budget. One of the most important factors affecting the budget is our student count. The state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The 2018-2019 budget was adopted in June 2018 based on an estimate of students who will enroll in September 2018. Approximately 79.3 percent of total General Fund revenue is from the foundation allowance. Under state law, the Academy cannot access additional property tax revenue for general operations. As a result, the Academy's funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2018 school year, we anticipate that the fall student count will be close to the estimates used in creating the 2019 budget. Once the final student count and related per pupil funding are validated, state law requires the Academy to amend the budget if actual district resources are not sufficient to fund original appropriations.

Contacting the Academy's Management

This financial report is intended to provide our taxpayers, parents, and investors with a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the business office.

Henry Ford Academy

Statement of Net Position

June 30, 2018

	Governmental Activities
Assets	
Cash (Note 4)	$ 227,338
Due from other governmental units	970,155
Total assets	1,197,493
Deferred Outflows of Resources (Note 9)	
Deferred pension costs	1,400,360
Deferred OPEB costs	120,395
Total deferred outflows of resources	1,520,755
Liabilities	
Accounts payable	3,733
Accrued payroll-related liabilities	455,336
Unearned revenue (Note 5)	66,151
Due to affiliate (Note 8)	636,778
Noncurrent liabilities:	
Due within one year - Compensated absences	13,465
Due in more than one year - Compensated absences	58,369
Net pension liability (Note 9)	6,319,237
Net OPEB liability (Note 9)	2,161,372
Total liabilities	9,714,441
Deferred Inflows of Resources (Note 9)	
Revenue in support of pension contributions made subsequent to the report date	248,619
Deferred pension cost reductions	386,895
Deferred OPEB cost reductions	73,070
Total deferred inflows of resources	708,584
Net Position - Unrestricted	**$ (7,704,777)**

See notes to financial statements.

Henry Ford Academy

Statement of Activities

Year Ended June 30, 2018

	Expenses	Program Revenue: Charges for Services	Program Revenue: Operating Grants and Contributions	Governmental Activities: Net (Expense) Revenue and Changes in Net Position
Functions/Programs				
Primary government - Governmental activities:				
Instruction	$ 2,877,705	$ 61,409	$ 552,893	$ (2,263,403)
Support services	2,070,422	21,398	25,754	(2,023,270)
Athletics	54,258	23,138	-	(31,120)
Food services	136,675	-	80,411	(56,264)
Community services	1,774	-	-	(1,774)
Total primary government	**$ 5,140,834**	**$ 105,945**	**$ 659,058**	(4,375,831)
General revenue:				
State aid not restricted to specific purposes				4,246,841
Other				27,327
Total general revenue				4,274,168
Change in Net Position				(101,663)
Net Position - Beginning of year, as previously reported				(5,413,163)
Cumulative Effect of Change in Accounting				(2,189,951)
Net Position - Beginning of year				(7,603,114)
Net Position - End of year				**$ (7,704,777)**

See notes to financial statements.

Henry Ford Academy

Governmental Funds Balance Sheet

June 30, 2018

	General Fund	Nonmajor Fund - Food Services Fund	Total Governmental Funds
Assets			
Cash (Note 4)	$ 227,338	$ -	$ 227,338
Due from other governmental units	970,155	-	970,155
Total assets	**$ 1,197,493**	**$ -**	**$ 1,197,493**
Liabilities			
Accounts payable	$ 3,733	$ -	$ 3,733
Accrued payroll-related liabilities	455,336	-	455,336
Unearned revenue (Note 5)	66,151	-	66,151
Due to affiliate (Note 8)	636,778	-	636,778
Total liabilities	1,161,998	-	1,161,998
Deferred Inflows of Resources - Unavailable revenue (Note 5)	35,495	-	35,495
Total liabilities and deferred inflows of resources	1,197,493	-	1,197,493
Fund Balances	-	-	-
Total liabilities, deferred inflows of resources, and fund balances	**$ 1,197,493**	**$ -**	**$ 1,197,493**

See notes to financial statements.

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

June 30, 2018

Fund Balances Reported in Governmental Funds	$ -
Amounts reported for governmental activities in the statement of net position are different because:	
Receivables that are not collected soon after year end are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.	35,495
Some employee fringe benefits are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities:	
Employee compensated absences	(71,834)
Net pension liability and related deferred inflows and outflows	(5,305,772)
Net OPEB liability and related deferred inflows and outflows	(2,114,047)
Revenue in support of pension contributions made subsequent to the measurement date is reported as a deferred inflow of resources in the statement of net position and is not reported in the funds	(248,619)
Net Position of Governmental Activities	**$ (7,704,777)**

Henry Ford Academy

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

Year Ended June 30, 2018

	General Fund	Nonmajor Fund - Food Services Fund	Total Governmental Funds
Revenue			
Local sources	$ 134,272	$ -	$ 134,272
State sources	4,557,894	3,503	4,561,397
Federal sources	237,116	76,908	314,024
Total revenue	4,929,282	80,411	5,009,693
Expenditures			
Current:			
Instruction	2,761,913	-	2,761,913
Support services	2,055,247	-	2,055,247
Athletics	54,084	-	54,084
Food services	-	136,675	136,675
Community services	1,774	-	1,774
Total expenditures	4,873,018	136,675	5,009,693
Excess of Revenue Over (Under) Expenditures	56,264	(56,264)	-
Other Financing Sources (Uses) (Note 6)			
Transfers in	-	56,264	56,264
Transfers out	(56,264)	-	(56,264)
Total other financing (uses) sources	(56,264)	56,264	-
Net Change in Fund Balances	-	-	-
Fund Balances - Beginning of year	-	-	-
Fund Balances - End of year	$ -	$ -	$ -

See notes to financial statements.

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

Year Ended June 30, 2018

Net Change in Fund Balance Reported in Governmental Funds	$ -
Amounts reported for governmental activities in the statement of activities are different because:	
Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in the funds until it is available	13,875
Revenue in support of pension contributions made subsequent to the measurement date	(35,038)
Some employee costs (pension, OPEB, and compensated absences) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds	(80,500)
Change in Net Position of Governmental Activities	**$ (101,663)**

Note 1 - Nature of Business

Henry Ford Academy (the "Academy") is an Academy in the state of Michigan that provides educational services to students.

Note 2 - Significant Accounting Policies

Accounting and Reporting Principles

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

Reporting Entity

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

On April 24, 1997, the Academy entered into a five-year contract with Wayne County Regional Education Services Agency (RESA) to charter a public school academy. The contract has been extended through June 30, 2020. The contract requires the Academy to act exclusively as a governmental agency and not undertake any action inconsistent with its status as an entity authorized to receive state school aid funds pursuant to the state constitution. The RESA board of trustees is the fiscal agent for the Academy and is responsible for overseeing the Academy's compliance with the contract and all applicable laws.

The contract stipulates that the Academy will pay the RESA board of trustees 3 percent of state aid received each year as administrative fees. The total administrative fees for the year ended June 30, 2018 to RESA were approximately $120,000.

Report Presentation

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

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

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

Basis of Accounting

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

Note 2 - Significant Accounting Policies (Continued)

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

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

Fund Accounting

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

Governmental Funds

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

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

- The special revenue fund is used to account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes. The Academy's special revenue fund is the Food Services Fund. Revenue sources for the Food Services Fund include grants received from the state and federal sources. Any operating deficit generated by this activity is the responsibility of the General Fund.

Interfund Activity

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, certain eliminations are made in the preparation of the government-wide financial statements.

Furthermore, 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, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

Specific Balances and Transactions

Cash

Cash includes cash on hand and demand deposits.

Receivables

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

Note 2 - Significant Accounting Policies (Continued)

Deferred Outflows/Inflows of Resources

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

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

The Academy reports deferred inflows related to revenue in support of pension contributions made subsequent to the measurement date and deferred pension and OPEB plan cost reductions. Additionally, the governmental funds report unavailable revenue from grant payments that are not collected during the period of availability. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. This item arises only under a modified accrual basis of accounting and is, therefore, only reported in the governmental funds balance sheet.

Net Position

Net position of the Academy is classified as follows: The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted net position is the remaining net position that does not meet the definition restricted.

Fund Balance

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 nonspendable fund balance component represents amounts that are not in spendable form or are legally or contractually required to be maintained intact. Restricted fund balance represents amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose. 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 passing a resolution prior to the end of the fiscal year, commit fund balance. Once passed, the limitation imposed by the resolution remains in place until a similar action is taken (the passing of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The board of directors may 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.

Note 2 - Significant Accounting Policies (Continued)

Grants and Contributions

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

Pension and Other Postemployment Benefit (OPEB) Plans

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

Compensated Absences (Vacation and Sick Leave)

It is the Academy's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. Sick pay is accrued for the estimated amount that the Academy will pay upon employment termination; vacation pay is accrued when incurred. Both of these are reported in the government-wide financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end. Generally, the funds that report each employee's compensation are used to liquidate the obligations.

Adoption of New Accounting Pronouncement

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

In accordance with the statement, the Academy has reported a net OPEB liability of $2,279,768, deferred outflows of financial resources for OPEB contributions of $161,474 made subsequent to the measurement date, and deferred inflows of financial resources for revenue received from state aid in support of OPEB contributions of $71,657 that was received subsequent to the measurement date, as the effects of these changes in accounting principles on the Academy's net position as of July 1, 2017.

Note 2 - Significant Accounting Policies (Continued)

Upcoming Accounting Pronouncement

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

Note 3 - Stewardship, Compliance, and Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the General Fund and the special revenue fund. All annual appropriations lapse at fiscal year end. The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the Academy to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year. During the year, the budget was amended in a legally permissible manner.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders and contracts) are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

Excess of Expenditures Over Appropriations in Budgeted Funds

During the year, the Academy incurred expenditures in the General Fund, which were in excess of the amount budgeted, as follows:

	Budget	Actual
Support services - Pupil	$ 346,104	$ 392,622
Support services - Instructional staff	128,275	152,531

Note 4 - Deposits

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

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

The Academy's cash is subject to custodial credit risk, which is examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Academy's deposits may not be returned to it. The Academy's investment policy requires that financial institutions be evaluated and only those with an acceptable risk level be used for the Academy's deposits. At year end, all of the Academy's deposit balance was insured and collateralized.

Note 5 - Unavailable/Unearned Revenue

Governmental funds report unavailable revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also report unearned revenue recognition in connection with resources that have been received but not yet earned.

At June 30, 2018, the Academy reported $66,151 of unearned revenue related to local grants and categoricals received but not yet earned and $35,495 of unavailable revenue related to federal grants not received within 60 days of year end.

Note 6 - Interfund Transfers

During the year, an interfund transfer was made from the General Fund to the Food Services Fund in the amount of $56,264 in order to subsidize food service activities.

Note 7 - Risk Management

The Academy is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation) as well as medical benefits provided to employees. The Academy has purchased commercial insurance for all medical benefits and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage since inception. The Academy participates in a shared-risk pool for claims relating to property loss, torts, and errors and omissions.

The shared-risk pool program in which the Academy participates operates as a common risk-sharing management program for school districts in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

Note 8 - Related Party Transactions

The Academy engages in significant related party transactions with The Henry Ford (the “Museum”). These transactions are outlined as follows:

Facilities, Furniture, and Equipment

The Museum constructed the Academy's facilities and purchased substantially all the furniture and equipment. These are all leased to the Academy for the nominal amount of $4 per year plus operating costs. The facilities lease has been extended through June 30, 2020. As permitted under accounting principles generally accepted in the United States of America, the in-kind value of the use of the facilities, furniture, and equipment has not been established and has not been recognized in the financial statements.

Administrative Support

The Museum provides accounting, custodial, technology, and other administrative support to the Academy. Charges to the Academy for the year ended June 30, 2018 totaled approximately $634,000 and are included within support services on the financial statements.

Operating Support

The Museum provides the Academy with an annual operating subsidy equal to the difference between the Academy's state, local, and federal revenue and the total expenditures. For the year ended June 30, 2018, this amount was $8,157, which is included in general revenue on the statement of activities.

Due to Affiliate

At June 30, 2018, the Academy owes the Museum $636,778 for rent, operating costs, administrative support, and reimbursement for salaries and expenses paid by the Museum on behalf of the Academy, net of amounts the Museum owes the Academy for any support not yet paid to the Academy.

Note 9 - Michigan Public School Employees' Retirement System

Plan Description

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

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

Benefits Provided

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

Note 9 - Michigan Public School Employees' Retirement System (Continued)

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

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

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

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

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

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

Contributions

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

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

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

Note 9 - Michigan Public School Employees' Retirement System (Continued)

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

The range of rates is as follows:

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

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

The Academy's required and actual pension contributions to the plan for the year ended June 30, 2018 were $685,858, which includes the Academy's contributions required for those members with a defined contribution benefit. The Academy's required and actual pension contributions include an allocation of $246,619 in revenue received from the State of Michigan and remitted to the System to fund the MPSERS unfunded actuarial accrued liability (UAAL) stabilization rate for the year ended June 30, 2018. For the year ended June 30, 2018, the contributions also include a one-time payment to the Academy received under Section 147c(2) of the State Aid Act, which the Academy then remitted as a contribution to the plan.

The Academy's required and actual OPEB contributions to the plan for the year ended June 30, 2018 were $161,692, which include the Academy's contributions required for those members with a defined contribution benefit.

Net Pension Liability

At June 30, 2018, the Academy reported a liability of $6,319,237 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2016, which used updated procedures to roll forward the estimated liability to September 30, 2017. The Academy's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2017 and 2016, the Academy's proportion was 0.02 percent.

Net OPEB Liability

At June 30, 2018, the Academy reported a liability of $2,161,372 for its proportionate share of the net OPEB liability. The net OPEB liability for fiscal year 2018 was measured as of September 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2016, which used updated procedures to roll forward the estimated liability to September 30, 2017. The Academy’s proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2017 and 2016, the Academy’s proportion was 0.02 percent of MPSERS in total.

Note 9 - Michigan Public School Employees' Retirement System (Continued)

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

For the year ended June 30, 2018, the Academy recognized pension expense of $686,617, inclusive of payments to fund the MPSERS UAAL stabilization rate. At June 30, 2018, the Academy reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 54,918	$ (31,007)
Changes in assumptions	692,323	-
Net difference between projected and actual earnings on pension plan investments	-	(302,101)
Changes in proportion and differences between the Academy's contributions and proportionate share of contributions	125,767	(53,787)
The Academy's contributions to the plan subsequent to the measurement date	527,352	-
Total	$ 1,400,360	$ (386,895)

The $248,619 reported as deferred inflows of resources resulting from the pension portion of state aid payments received pursuant to the UAAL payment will be recognized as state appropriations revenue for the year ending June 30, 2019. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending	Amount
2019	$ 146,742
2020	251,612
2021	108,605
2022	(20,846)
Total	$ 486,113

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

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

For the year ended June 30, 2018, the Academy recognized OPEB expense of $144,599.

At June 30, 2018, the Academy reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ (23,012)
Net difference between projected and actual earnings on OPEB plan investments	-	(50,058)
Changes in proportionate share or difference between amount contributed and proportionate share of contributions	133	-
Employer contributions to the plan subsequent to the measurement date	120,262	-
Total	$ 120,395	$ (73,070)

Note 9 - Michigan Public School Employees' Retirement System (Continued)

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

Years Ending	Amount
2019	$ (17,628)
2020	(17,628)
2021	(17,628)
2022	(17,628)
2023	(2,425)
Total	$ (72,937)

Actuarial Assumptions

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

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

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

Discount Rate

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

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

Note 9 - Michigan Public School Employees' Retirement System (Continued)

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

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

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

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

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

	1 Percent Decrease (6.00 - 6.50%)	Current Discount Rate (7.00 - 7.50%)	1 Percent Increase (8.00 - 8.50%)
Net pension liability of the Academy	$ 8,231,864	$ 6,319,237	$ 4,708,927

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

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

	1 Percent Decrease (6.50%)	Current Discount Rate (7.50%)	1 Percent Increase (8.50%)
Net OPEB liability of the Academy	$ 2,531,591	$ 2,161,372	$ 1,847,171

Note 9 - Michigan Public School Employees' Retirement System (Continued)

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

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

	1 Percent Decrease (6.50%)	Current Discount Rate (7.50%)	1 Percent Increase (8.50%)
Net OPEB liability of the Academy	$ 1,830,391	$ 2,161,372	$ 2,537,177

Pension Plan and OPEB Plan Fiduciary Net Position

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

Payable to the Pension Plan and OPEB Plan

At June 30, 2018, the Academy reported a payable of $97,682 and $22,634 for the outstanding amount of contributions to the pension plan and OPEB plan, respectively, required for the year ended June 30, 2018.

Required Supplemental Information

Henry Ford Academy

Required Supplemental Information
Budgetary Comparison Schedule - General Fund

Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	(Under) Over Final Budget
Revenue				
Local sources	$ 267,060	$ 299,013	$ 134,272	$ (164,741)
State sources	4,119,105	4,172,864	4,557,894	385,030
Federal sources	255,459	297,871	237,116	(60,755)
Total revenue	4,641,624	4,769,748	4,929,282	159,534
Expenditures				
Current:				
Instruction:				
Basic programs	2,323,684	2,294,116	2,497,599	203,483
Added needs	296,642	326,905	264,314	(62,591)
Total instruction	2,620,326	2,621,021	2,761,913	140,892
Support services:				
Pupil	331,804	346,104	392,622	46,518
Instructional staff	34,460	128,275	152,531	24,256
General administration	18,350	27,850	21,347	(6,503)
School administration	459,734	518,554	476,682	(41,872)
Business	328,047	340,660	353,269	12,609
Operations and maintenance	614,001	543,501	544,576	1,075
Pupil transportation services	37,500	38,000	28,502	(9,498)
Central	50,978	51,828	45,741	(6,087)
Other	43,588	44,988	39,977	(5,011)
Total support services	1,918,462	2,039,760	2,055,247	15,487
Athletics	47,450	54,450	54,084	(366)
Community services	2,184	1,315	1,774	459
Total expenditures	4,588,422	4,716,546	4,873,018	156,472
Excess of Revenue Over Expenditures	53,202	53,202	56,264	3,062
Other Financing Uses - Transfers out	(53,202)	(53,202)	(56,264)	(3,062)
Net Change in Fund Balance	-	-	-	-
Fund Balance - Beginning of year	-	-	-	-
Fund Balance - End of year	$ -	$ -	$ -	$ -

See notes to required supplemental information.

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

Last Four Plan Years

Plan Years Ended September 30

	2017	2016	2015	2014
Academy's proportion of the net pension liability	0.02439 %	0.02465 %	0.02379 %	0.02368 %
Academy's proportionate share of the net pension liability	$ 6,319,237	$ 6,149,744	$ 5,810,931	$ 5,214,966
Academy's covered employee payroll	$ 2,021,470	$ 2,111,695	$ 2,014,665	$ 2,038,032
Academy's proportionate share of the net pension liability as a percentage of its covered employee payroll	312.61 %	291.22 %	288.43 %	255.88 %
Plan fiduciary net position as a percentage of total pension liability	63.96 %	63.01 %	62.92 %	66.20 %

See notes to required supplemental information.

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

Last Four Fiscal Years

Years Ended June 30

	2018	2017	2016	2015
Statutorily required contribution	$ 626,320	$ 575,817	$ 556,347	$ 437,379
Contributions in relation to the statutorily required contribution	626,320	575,817	556,347	437,379
Contribution Deficiency	**$ -**	**$ -**	**$ -**	**$ -**
Academy's Covered Employee Payroll	$ 2,092,648	$ 2,028,594	$ 2,020,842	$ 2,023,965
Contributions as a Percentage of Covered Employee Payroll	29.93 %	28.39 %	27.53 %	21.61 %

See notes to required supplemental information.

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

Last One Plan Year

Plan Year Ended September 30

		2017
Academy's proportion of the net OPEB liability		0.02441 %
Academy's proportionate share of the net OPEB liability	$	2,161,372
Academy's covered employee payroll	$	2,021,470
Academy's proportionate share of the net OPEB liability as a percentage of its covered employee payroll		106.92 %
Plan fiduciary net position as a percentage of total OPEB liability		36.53 %

See notes to required supplemental information.

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

Last One Fiscal Year

Year Ended June 30

	2018
Statutorily required contribution	$ 151,146
Contributions in relation to the statutorily required contribution	151,146
Contribution Deficiency	**$ -**
Academy's Covered Employee Payroll	$ 2,092,648
Contributions as a Percentage of Covered Employee Payroll	7.22 %

See notes to required supplemental information.

Pension Information

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

Benefit Changes

There were no changes of benefit terms in 2017.

Changes in Assumptions

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

Covered Payroll

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

OPEB Information

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

Benefit Changes

There were no changes of benefit terms in 2017.

Changes in Assumptions

There were no changes of benefit assumptions in 2017.

Covered Payroll

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