Holly Academy

Financial Statements

June 30, 2020

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Holly Academy
Members of the Board of Directors and Administration
June 30, 2020

Members of the Board of Directors

Mrs. Joan Ehrhardt	President
Mrs. Diane Wujciak	Vice President
Mrs. Doreen DeBenedictus	Treasurer
Ms. Sara Barton	Secretary - FOIA Officer
Mr. Stephen E. Jenkins	Trustee
Mr. David Cruickshank, Jr.	Trustee
Mr. Dylan Adams	Trustee

Administration

Ms. Julie Kildee	Academy Director
Mr. Ken Kander	Director of Finance and Operations
Mrs. Jennifer Potteiger	Curriculum Director
Ms. Jennifer Burns	Special Education Director

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Independent Auditors' Report

To the Board of Directors
Holly Academy
Holly, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Holly Academy, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Holly Academy, as of June 30, 2020, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Adoption of New Accounting Standard

As described in Note 1 to the financial statements, during the year ended June 30, 2020, the Academy adopted GASB Statement No. 84, *Fiduciary Activities*. Our opinions are not modified with respect to this matter.

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2020 on our consideration of Holly 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 Holly 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 Holly Academy's internal control over financial reporting and compliance.

Yeo & Yeo, P.C.

Flint, Michigan
September 25, 2020

MANAGEMENT’S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

HOLLY ACADEMY

Holly Academy, a K-8 Academy located in Oakland County, Michigan, has completed its twentieth year with the enclosed financial statements. In addition to the statements, a comparative analysis of government-wide data is also provided.

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

Using this Annual Report

The accompanying financial statements are presented in accordance with the reporting model as prescribed in GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis for State & Local Governments. The data will also have requirements from GASB Statements No. 63 and 65, including a Statement of Net Position. The following components are required:

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

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

Reporting the School District as a Whole

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

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

Reporting Holly Academy's Most Significant Funds – Fund Financial Statements

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

Holly Academy's fund financial statements provide detailed information about the most significant funds – not the School District as a whole. Funds are accounting devices that Holly Academy uses to keep track of specific sources of funding and spending for particular purposes. The fund financial statements tell how services were financed in the short-term as well as what remains for future spending. The statements provide information about Holly Academy's most significant fund – the General Fund. The other funds include Special Revenue, Capital Projects and Debt Service, which are presented as Non-major funds. The Special Revenue Fund was established on July 1, 2019, as a direct result of GASB 84. The Capital Projects Fund was established in 2010-11 for the school's renovations, which were completed in August of 2012. The Debt Service Fund was established in 2004 as a direct result of Holly Academy's purchase of the facilities. The General Fund will continue to be used primarily to account for the general education requirements of Holly Academy. The revenues for Holly Academy continue to be primarily derived from State Aid, as well as from state and federal grants.

Reporting Holly Academy's Fiduciary Responsibilities – Holly Academy as Trustee

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

Financial Analysis of Holly Academy as a Whole

The statement of net position shows the perspective of Holly Academy as a whole, including the net pension liability. As required by the Governmental Accounting Standards Board, Holly Academy adopted GASB Statements No. 68 and 71, which includes Holly Academy's proportionate share of the Michigan Public School Employees Retirement System within the financial statements, for the fiscal year beginning July 1, 2014. All governments participating in MPSERS were required to adopt GASB 68 and 71. This data is shown in the financial statements with the related deferred inflows and outflows, and resulted in a net decrease of $9,657,979 in the June 30, 2015 net position. The data for the proportionate share of the retirement plan continues with the current statements, as shown in Table 1, which provides a summary of Holly Academy's net position as of June 30, 2020, and includes a comparison to fiscal year 2019.

Table 1 – Summary of Net Position:

	Fiscal Year 2020	Fiscal Year 2019
Assets & Deferred Outflows of Resources		
Current and other assets	$ 2,889,353	$ 2,957,359
Capital assets not being depreciated	670,000	670,000
Capital assets - net of accumulated depreciation	4,279,288	4,562,747
Deferred amounts - net pension & net OPEB liability	3,939,198	4,150,753
Total assets & deferred outflows	11,777,839	12,340,859
Liabilities & Deferred Inflows of Resources		
Current liabilities	877,117	912,162
Noncurrent - due within one year	153,085	148,085
Noncurrent - due in more than one year	4,999,945	5,081,803
Net pension & net OPEB liability	14,438,616	14,426,230
Deferred amounts - net pension & net OPEB liability	3,263,965	3,191,624
Total liabilities & deferred inflows	23,732,728	23,759,904
Net Position		
Invested in capital assets, net of related debt	(68,712)	118,347
Unrestricted	(11,886,177)	(11,537,392)
Total net position	$ (11,954,889)	$ (11,419,045)

Net Position is a combination of funds available for capital assets, plus capital assets at original cost, less accumulated depreciation and related debt. The accumulated depreciation is the accumulation of depreciation expense since acquisition. As of June 30, 2020, Holly Academy's net capital assets were ($68,712), and the remaining amount of ($11,886,177) was unrestricted. The unrestricted amount represents the accumulated results of all past years' operations, including the net pension liability combined with the net

OPEB liability that totals $14,438,616. The operating results of the General Fund will have a significant impact on any change in the unrestricted amount from year to year.

Statement of Activities

The results of this year's operations for Holly Academy are reported in the statement of activities, and in a more condensed format in Table 2; revenue and expense comparison to fiscal year 2019 is also reported.

Table 2 – Results of Activities:

	Fiscal Year	
	2020	2019
Net Revenues		
General revenues:		
State aid - unrestricted	$ 4,935,191	$ 5,046,728
Interest & investment earnings	256	278
Other	57,671	24,094
Total	4,993,118	5,071,100
Net Expenses		
Instruction	2,744,821	2,447,597
Support services	2,420,448	2,252,015
Interest on long-term debt	425,140	431,590
Total	5,590,409	5,131,202
Change in net position	(597,291)	(60,102)
Net position - beginning, as restated	(11,357,598)	(11,358,943)
Net position - ending	$(11,954,889)	$(11,419,045)

Analysis of Financial Position:

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

- **Net Change in Net Position**
  Holly Academy generated a decrease of $597,291.

- **Capital Assets**
  There were no individual assets above the capitalization threshold in 2019-2020.

- **Depreciation Expense**
  Depreciation expense is recorded on a straight-line basis over the estimated useful life of the asset. In accordance with generally accepted accounting principles, depreciation expense is recorded based on the original cost of the asset less an estimated salvage value. For the fiscal year ended June 30, 2020, the net depreciation expense was $283,459.

- **Debt Principal Payments**
  Holly Academy made additions and reductions to principal balances on long-term debt obligations that changed the amount of long-term liabilities as follows:

	Balance	Additions	Reductions	Balance
Bonds	$ 5,300,000	$ -	$ 95,000	$ 5,205,000
Compensated absences	62,688	58,890	43,148	78,430
Discount on bonds	(132,800)	-	(2,400)	(130,400)
	$ 5,229,888	$ 58,890	$ 135,748	$ 5,153,030

Holly Academy's Funds

As Holly Academy completed this year, the governmental funds reported a combined fund balance of $2,113,236, resulting from $1,755,939 in the General Fund, with $57,517 in the Special Revenue Fund, $243,180 in the Debt Service Fund, and $56,600 in the Capital Projects Fund.

The student count for 2019-2020 dropped from 644 to 620; however, the year began with a General Fund Balance at approximately 29%, and ended with the Fund Balance at approximately 28%. Holly Academy's financial situation continued to remain stable, since the lower student count was offset by a reduction in staff, and by reductions in areas that did not affect the student-learning environment.

The Covid-19 pandemic situation is being monitored closely and on a daily basis. Holly Academy will adjust accordingly based on the ongoing coronavirus developments. The school is currently planning on three offerings: in-school instruction; remote instruction; a hybrid combination of in-school and remote instruction.

Both the short-term and long-term overview look favorable, especially with our current strong Fund Balance, combined with our strategic plan that includes a five-year outlook that focuses on financial stability combined with the school's emphasis on academic excellence.

General Operating Fund

Initially, Holly Academy's revenues from General Fund Operations exceeded expenditures by $7,451 for the fiscal year ended June 30, 2020. However, in mid-August of 2020, there was a State Aid revenue shortfall reduction of $175 per pupil due to the state's economic losses from the coronavirus. Since the Holly Academy "financial books" were closed in mid-July, the financials were re-stated due to the August reduction, and expenditures then exceeded revenues by $98,404. With the re-statement, the General Fund balance remained strong at 28%.

Debt Service Fund

The Debt Service Fund had an ending fund balance of $243,180. This consisted of a beginning fund balance of $241,054, plus net debt service of $2,126.

Capital Projects Fund

The Capital Projects Fund had an ending fund balance of $56,600. This consisted of a starting balance of $52,800, expenditures of $22,600, and transfers of $26,400 into the fund.

Revenues by Sources – All Funds

State of Michigan Unrestricted Aid (State Foundation Grant)

The foundation allowance is determined annually by the State of Michigan using the following: State Aid Act per student foundation allowance; student enrollment blended at 90% of current year fall count and 10% of winter count (see update below), plus Section 25e transfer adjustments. For the 2020-2021 school year, the percentages are proposed to be 75% of the 2020 blended student count and 25% of the 2021 blended count due to anticipated decreases in student count from coronavirus issues.

Per Student Foundation Allowance:

Holly Academy's blended student enrollment for the 2019-2020 school year was 623.55. This number was based on a combination of 90% of the October 2019 count, 10% of the February 2019 count, and Section 25e data (student adjustments between the two count days). Holly Academy's preliminary blended student enrollment for next year is projected to be at 620.00 students.

Changes from Original to Final Budget

The Uniform Budget Act of the State of Michigan requires that the Holly Academy Board of Directors approve the original budget prior to July 1st, the start of the fiscal year. A schedule showing Holly 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. During the fiscal year, Holly Academy revises its budget to reflect changes in revenues and expenditures. An analysis of comparisons between the original and final budgets shows that the most significant changes are in the salary/benefit reductions that resulted from the previously mentioned staff reductions. The final actual numbers compare favorably with the final budget numbers, with the one discrepancy being a direct result of the August State Aid proration.

General Fund –

	Original Budget	Final Budget	Change
Revenues	$ 6,280,507	$ 6,267,019	$ 13,488
Expenditures	$ 6,258,055	$ 6,261,019	$ (2,964)

Economic Factors and Next Year's Budgets and Rates

The administration considered many factors when determining Holly Academy's 2020-2021 fiscal year budget. An obvious factor was the Covid-19 pandemic crisis, with the August 2020 reduction in the State Aid payment being a direct result of the crisis, and with the unknown State Aid budget for 2020-2021. With the State's economic issues due to the pandemic, anticipated federal funding will help offset some of the expected State reductions. As the actual State Aid numbers become known, the school's budget will be revised accordingly.

One of the most important factors for 2020-2021 is the student count, since the state foundation revenue is determined by the blended student count that was discussed earlier. The blended count for the upcoming fiscal year is proposed to be 75% of the October 2019 count, and 25% of the October 2020 count. This formula could possibly change again, based directly on the coronavirus situation.

Approximately 94% of total General Fund revenues are from State Sources. Revenues are thus heavily dependent on the State's ability to fund local operations. When the fall student count is completed and the related per pupil funding is validated, the budget for Holly Academy will be amended to reflect the revised numbers. With the state's economic issues due to Covid-19, federal funding will help offset some of the anticipated state reductions. Since Holly Academy's revenue depends on State funding and the health of the State School Aid fund, the actual revenue received therefore depends on the State's ability to collect revenues to fund its appropriations to Districts. The State periodically holds revenue estimating conferences to evaluate its ability to fund obligations. Should state revenues fall below previous estimates, a statewide proration of the Foundation Allowance to Districts would occur, as happened with the August 2020 payment. If a reduction in State Aid funding resulted during the 2020-2021 school year, an appropriate budget adjustment would be made to reflect the revised financial situation.

Contacting Holly Academy's Financial Management

This financial report is designed to provide a general overview of Holly Academy's finances, and to demonstrate Holly Academy's accountability for the money it receives. If there are any questions about this report, or if additional financial information is needed, contact Holly Academy's Finance Department at 820 Academy Road in Holly, Michigan 48442.

BASIC FINANCIAL STATEMENTS

Holly Academy
Statement of Net Position
June 30, 2020

	Governmental Activities
Assets	
Cash	$ 1,909,927
Due from other governmental units	979,426
Capital assets not being depreciated	670,000
Capital assets - net of accumulated depreciation	4,279,288
Total assets	7,838,641
Deferred outflows of resources	
Deferred amount relating to the net pension liability	3,198,501
Deferred amount relating to the net OPEB liability	740,697
Total deferred outflows of resources	3,939,198
Liabilities	
Accrued expenditures	235,935
Accrued salaries payable	641,182
Long-term liabilities	
Debt due within one year	153,085
Debt due within more than one year	4,999,945
Net pension liability	11,870,271
Net OPEB liability	2,568,345
Total liabilities	20,468,763
Deferred inflows of resources	
Deferred amount relating to the net pension liability	1,912,246
Deferred amount relating to the net OPEB liability	1,351,719
Total deferred inflows of resources	3,263,965
Net Position	
Net investment in capital assets	(68,712)
Unrestricted (deficit)	(11,886,177)
Total net position	$ (11,954,889)

See Accompanying Notes to the Financial Statements

Holly Academy
Statement of Activities
For the Year Ended June 30, 2020

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Functions/Programs				
Governmental activities				
Instruction	$ 3,897,768	$ -	$ 1,152,947	$ (2,744,821)
Supporting services	2,534,660	114,212	-	(2,420,448)
Interest on long-term debt	425,140	-	-	(425,140)
Total governmental activities	$ 6,857,568	$ 114,212	$ 1,152,947	(5,590,409)
General revenues				
State aid - unrestricted				4,935,191
Interest and investment earnings				256
Other				57,671
Total general revenues				4,993,118
Change in net position				(597,291)
Net position - beginning, as restated				(11,357,598)
Net position - ending				$ (11,954,889)

See Accompanying Notes to the Financial Statements

Holly Academy
Governmental Funds
Balance Sheet
June 30, 2020

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets			
Cash	$ 1,552,630	$ 357,297	$ 1,909,927
Due from other governmental units	979,426	-	979,426
Total assets	$ 2,532,056	$ 357,297	$ 2,889,353
Liabilities and Fund Balance			
Liabilities			
Accrued expenditures	$ 134,935	$ -	$ 134,935
Accrued salaries payable	641,182	-	641,182
Total liabilities	776,117	-	776,117
Fund Balance			
Committed for			
Debt service	-	243,180	243,180
Capital projects	-	56,600	56,600
Student/School activities	-	57,517	57,517
Unassigned	1,755,939	-	1,755,939
Total fund balance	1,755,939	357,297	2,113,236
Total liabilities and fund balances	$ 2,532,056	$ 357,297	$ 2,889,353

See Accompanying Notes to the Financial Statements

Holly Academy
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2020

Total fund balances for governmental funds	$ 2,113,236
Total net position for governmental activities in the statement of net position is different because	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets not being depreciated	670,000
Capital assets - net of accumulated depreciation	4,279,288
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(101,000)
Deferred outflows (inflows) of resources	
Deferred outflows of resources resulting from the net pension liability	3,198,501
Deferred inflows of resources resulting from the net pension liability	(1,912,246)
Deferred outflows of resources resulting from the net OPEB liability	740,697
Deferred inflows of resources resulting from the net OPEB liability	(1,351,719)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.	
Compensated absences	(78,430)
Bonds payable	(5,074,600)
Net pension liability	(11,870,271)
Net OPEB liability	(2,568,345)
Net position of governmental activities	$ (11,954,889)

Holly Academy
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2020

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues			
Local sources	$ 66,364	$ 105,775	$ 172,139
State sources	5,726,585	-	5,726,585
Federal sources	228,214	-	228,214
Interdistrict sources	133,339	-	133,339
Total revenues	6,154,502	105,775	6,260,277
Expenditures			
Current			
Education			
Instruction	3,535,659	-	3,535,659
Supporting services	2,168,981	109,705	2,278,686
Capital outlay	-	22,600	22,600
Debt service			
Principal	-	95,000	95,000
Interest and other expenditures	-	424,740	424,740
Total expenditures	5,704,640	652,045	6,356,685
Excess (deficiency) of revenues over expenditures	449,862	(546,270)	(96,408)

Holly Academy
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2020

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Other Financing Sources (Uses)			
Transfers in	-	548,266	548,266
Transfers out	(548,266)	-	(548,266)
Total other financing sources (uses)	(548,266)	548,266	-
Net change in fund balance	(98,404)	1,996	(96,408)
Fund balance - beginning, as restated	1,854,343	355,301	2,209,644
Fund balance - ending	$ 1,755,939	$ 357,297	$ 2,113,236

Holly Academy
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2020

Net change in fund balances - Total governmental funds	$ (96,408)
Total change in net position reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation expense	(283,459)
Expenses are recorded when incurred in the statement of activities.	
Interest	2,000
Compensated absences	(15,742)
The statement of net position reports the net pension liability and deferred outflows of resources and deferred inflows related to the net pension liability and pension expense. However, the amount recorded on the governmental funds equals actual pension contributions	
Net changes in pension liability	(301,526)
Net changes in the deferrals of resources related to the net pension liability	(235,658)
The statement of net position reports the net OPEB liability and deferred outflows of resources and deferred inflows related to the net OPEB liability and OPEB expense. However, the amount recorded on the governmental funds equals actual OPEB contributions	
Net changes in OPEB liability	289,140
Net changes in the deferrals of resources related to the net OPEB liability	(48,238)
Bond and note proceeds and capital leases are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. When debt refunding occurs, the difference in the carrying value of the refunding debt and the amount applied to the new debt is reported the same as regular debt proceeds or repayments, as a financing source or expenditure in the governmental funds. However, in the statement of net position, debt refunding may result in deferred inflows of resources or deferred outflows of resources, which are then amortized in the statement of activities.	
Repayments of long-term debt	95,000
Amortization of bond discount	(2,400)
Change in net position of governmental activities	$ (597,291)

See Accompanying Notes to the Financial Statements

Holly Academy
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2020

	Custodial Funds
Assets	
Cash	$ 10,201
Net Position	$ 10,201

See Accompanying Notes to the Financial Statements

Holly Academy
Fiduciary Funds
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2020

	Custodial Funds
Additions	
Local sources	$ 13,689
Deductions	
Payments to Individuals	24,008
Change in net position	(10,319)
Net position - beginning	20,520
Net position - ending	$ 10,201

See Accompanying Notes to the Financial Statements

Note 1 - Summary of Significant Accounting Policies

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

Reporting Entity

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

The Academy has entered into a contract with Central Michigan University (CMU) to charter a public-school academy. The contract requires the Academy to act exclusively as a governmental agency and not undertake any action inconsistent with its status as an entity authorized to receive state school aid funds pursuant to the State Constitution. CMU is the fiscal agent for the Academy and is responsible for overseeing the Academy's compliance with the contract and all applicable laws. The Academy pays CMU three percent of the state aid foundation.

The total paid for these services amounts to approximately $148,000 for the year ended June 30, 2020.

Academy-wide Financial Statements

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

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

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

The net costs (by function) are normally covered by general revenue (state sources and federal sources, interest income, etc.). The Academy does not allocate indirect costs. In creating the Academy-wide financial statements the Academy has eliminated interfund transactions.

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

Fund Financial Statements

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

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

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

Fiduciary fund statements also are reported using the economic resources measurement focus and the accrual basis of accounting.

The Academy reports the following major governmental funds:

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

Additionally, the Academy reports the following fund types

Capital Projects Fund – The Capital Projects Fund is used to record bond proceeds or other revenue and the disbursement of invoices specifically for acquiring new school sites, buildings, equipment, and for remodeling and repairs. The fund is kept open until the purpose for which the fund was created has been accomplished.

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

Special Revenue Fund – The Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified School purposes. The Academy's Special Revenue Fund is the Student/School Activity Fund.

Fiduciary Funds – Fiduciary Funds are used to account for assets held by the Academy in a trustee capacity or as an agent. The Custodial funds are funds entrusted by the academy for scholarships and awards

Assets, Liabilities and Equity

Receivables and Payables – Generally, outstanding amounts owed between funds are classified as "due from/to other funds". These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

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

Capital Assets – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their acquisition value at the date of donation. During the year the Academy had no donated assets. The Academy defines capital assets as assets with an initial individual cost in excess of $2,500. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The Academy does not have infrastructure assets. Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	20-50 years
Site improvements	10-20 years
Equipment and furniture	5-10 years
Buses and other vehicles	5-10 years

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

Long-term Obligations – In the Academy-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the Academy's fund financial statements, the face amount of the debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts are reported as other financing uses.

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

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

Deferred Inflows of Resources – A deferred inflow of resources is an acquisition of net position by the government that is applicable to a future reporting period. Academy-wide financial statements, the Academy reports deferred inflows of resources as a result of pension and OPEB plan earnings. This amount is the result of a difference between what the plan expected to earn from the plan investments and what the plan actually earned. This amount will be amortized over the next four years and included in pension and OPEB expense. Changes in assumptions relating to the net pension and OPEB liabilities are deferred and amortized over the expected remaining services lives of the employees and retirees in the plans. Deferred inflows of resources also include revenue received relating to the amounts included in the deferred outflows for payments related to MPSERS Unfunded Actuarial Accrued Liabilities (UAAL) Stabilization defined benefit pension statutorily required contributions.

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

Non-spendable – amounts that are not available in a spendable form.

Restricted – amounts that are legally imposed or otherwise required by external parties to be used for a specific purpose.

Committed – amounts that have been formally set aside by the Board of Directors for specific purposes. A fund balance commitment may be established, modified, or rescinded by a resolution of the Board of Directors.

Assigned – amounts intended to be used for specific purposes, as determined by the Board of Directors. The Board of Directors has granted the Academy Director the authority to assign funds. Residual amounts in governmental funds other than the General Fund are automatically assigned by their nature.

Unassigned – all other resources; the remaining fund balances after non-spendable, restrictions, commitments and assignments.

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

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

Use of Estimates

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

Eliminations and Reclassifications

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

Adoption of New Accounting Standards

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

Statement No. 92, *Omnibus 2020* enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following: (1) The effective date of Statement No. 87, Leases, and Implementation Guide No. 2019-3, Leases, for interim financial reports (2) Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan. (3) The applicability of Statements No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement

68, and Amendments to Certain Provisions of GASB Statements 67 and 68, as amended, and No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, to reporting assets accumulated for postemployment benefits. (4) The applicability of certain requirements of Statement No. 84, Fiduciary Activities, to postemployment benefit arrangements. (5) Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition. (6) Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers. (7) Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature. (8) Terminology used to refer to derivative instruments. Management has implemented the required portions of this Statement and will implement the remaining requirements as each Statement referenced becomes effective.

Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* provides a temporary relief to governments and other stakeholders in light of the COVID-19 pandemic and provides a postponement of certain GASB Statements. This statement was effective upon issuance in May of 2020.

Upcoming Accounting and Reporting Changes

Statement No. 87, *Leases* increases the usefulness of the Academy's financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. A lessee will be required to recognize a lease liability and an intangible right-to-use a lease asset, and a lessor will be required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about the Academy's leasing activities. The requirements of this Statement are effective for the fiscal year ending June 30, 2022.

Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. It requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reporting in a business-type activity or enterprise fund. Interest cost incurred before the end of a construction period should be recognized as an expenditure for financial statements prepared using the current financial resources measurement. The requirements of this Statement are effective for the fiscal year ending June 30, 2022.

Statement No. 91, *Conduit Debt Obligations* provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. This statement is effective for the year ending June 30, 2023.

Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. This statement is effective for the year ending June 30, 2023.

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

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information

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

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

The business manager is authorized to transfer budgeted amounts between functions within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Directors.

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

Excess of Expenditures over Appropriations

During the year, there were no incurred expenditures in certain budgetary funds in excess of the amount appropriated.

Deposits and Investments

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

	Governmental Activities	Fiduciary Funds	Total Primary Government
Cash	$ 1,909,927	$ 10,201	$ 1,920,128

The breakdown between deposits and investments for the Academy is as follows:

Deposits (checking, savings accounts, money markets, certificates of deposit)	$ 1,919,029
Petty cash and cash on hand	1,099
Total	$ 1,920,128

Interest rate risk – The Academy does not have a formal investment policy to manage its exposure to fair value losses arising from changes in interest rates.

Credit risk – State statutes and the Academy's investment policy authorize the Academy to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan; the Academy is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper 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.

Concentration of credit risk – The Academy has no policy that would limit the amount that may be invested with any one issuer.

Custodial credit risk – deposits – In the case of deposits, this is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. The Academy does not have a deposit policy for custodial credit risk. As of year-end, $1,264,615 of the Academy's bank balance of $1,971,123 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Note 3 - Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	$ 670,000	$ -	$ -	$ 670,000
Capital assets being depreciated				
Buildings and additions	6,935,269	-	-	6,935,269
Equipment and furniture	1,582,158	-	-	1,582,158
Buses and other vehicles	16,627	-	-	16,627
Total capital assets being depreciated	8,534,054	-	-	8,534,054
Less accumulated depreciation for				
Buildings and additions	2,515,551	232,539	-	2,748,090
Equipment and furniture	1,439,129	50,920	-	1,490,049
Buses and other vehicles	16,627	-	-	16,627
Total accumulated depreciation	3,971,307	283,459	-	4,254,766
Net capital assets being depreciated	4,562,747	(283,459)	-	4,279,288
Net capital assets	$ 5,232,747	$ (283,459)	$ -	$ 4,949,288

Depreciation was charged to activities of the Academy as follows:

Governmental activities	
Instruction	$ 172,369
Support services	111,090
Total governmental activities	$ 283,459

Note 4 - Interfund Transfers

Interfund transfers consist of the following:

	Transfers Out General Fund
Transfers in	
Non-major governmental funds	$ 548,266

These transfers were made to cover the costs of the Academy debt payments and from the general fund to the capital projects fund for future repairs.

Note 5 - Long-Term Debt

The Academy issues notes, and other contractual commitments to provide for the acquisition of certain equipment. The State can withhold state aid if it has to make a bond payment on behalf of the Academy related to qualified bonds. Other long-term obligations include compensated absences.

Long-term obligation activity is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Bonds and notes payable					
Bonds	$ 5,300,000	$ -	$ 95,000	$ 5,205,000	$ 100,000
Discount on bonds	(132,800)	-	(2,400)	(130,400)	-
Total bonds payable	5,167,200	-	92,600	5,074,600	100,000
Other liabilities					
Compensated absences	62,688	58,890	43,148	78,430	53,085
Total	$ 5,229,888	$ 58,890	$ 135,748	$ 5,153,030	$ 153,085

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

Bonds payable at June 30, 2020 consist of the following:

$ 5,750,000 serial bond, issued through the Michigan Finance Authority on April 27, 2011, due in annual installments of $ 90,000 to $ 490,000 through October 1, 2041; interest at 6.50% to 8.00%	$ 5,205,000

Future principal and interest requirements for bonded debt are as follows:

	Bonds Principal	Bonds Interest
Year Ending June 30,		
2021	$ 100,000	$ 407,688
2022	110,000	400,175
2023	115,000	391,456
2024	125,000	382,156
2025 - 2029	810,000	1,740,089
2030 - 2034	1,205,000	1,351,119
2035 - 2039	1,795,000	759,800
2040 - 2041	945,000	77,000
Total	$ 5,205,000	$ 5,509,483

The bonds are payable from the Debt Service Fund which had a fund balance of $243,180 as of June 30, 2020. Future debt and interest will be payable from State Aid revenues.

Compensated Absences

Unpaid personal days for all administrative and non-administrative personnel are allowed to accumulate and be paid upon request. Administrative personnel are paid at the rate of $200 per day with no limit on the amount of days that can be accrued and non-administrative personnel are paid at the rate of $45 per day, up to a maximum of 100 days. The total potential liability for these days at June 30, 2020 was $53,085. The amount anticipated to be paid out over the next year is included within the amounts listed as due within one year.

Debt Covenants
The Academy is required to meet certain debt covenants. As of June 30, 2020 the Academy was in compliance with those covenants.

Note 6 - Risk Management

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

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

Note 7 - Pension Plan

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

The System's pension plan was established by the State to provide retirement, survivor and disability benefits to public school employees. In addition, the System's health plan provides all retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).
The System is administered by the Office of Retirement Services (ORS) within the Michigan Department of Technology, Management & Budget. The Department Director appoints the Office Director, with whom the general oversight of the System resides. The State Treasurer serves as the investment officer and custodian for the System.

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

Benefits Provided
Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Depending on the plan option selected, member retirement benefits are determined by final average compensation, years of service, and a pension factor ranging from

1.25 percent to 1.50 percent. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

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

Contributions

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2018 valuation will be amortized over a 20-year period beginning Oct. 1, 2018 and ending Sept. 30, 2038.

The schedule below summarizes pension contribution rates in effect for fiscal year ended September 30, 2019.

Pension Contribution Rates

Benefit Structure	Member	Employer
Basic	0.0 - 4.0%	18.25%
Member Investment Plan	3.0 - 7.0%	18.25%
Pension Plus	3.0 - 6.4%	16.46%
Pension Plus 2	6.2%	19.59%
Defined Contribution	0.0%	13.39%

Required contributions to the pension plan from the Academy were $952,205 for the year ending September 30, 2019.

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

At June 30, 2020, the Academy reported a liability of $11,870,271 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2018. The Academy's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period.

At September 30, 2019, the Academy's proportion was 0.0358 percent, which was a decrease of 0.0026 percent from its proportion measured as of September 30, 2018. For the plan year ending September 30, 2019, the Academy recognized pension expense of $1,398,729 for the measurement period. For the reporting period ending June 30, 2020, the Academy recognized total pension contribution expense of $879,215.

At June 30, 2020, the Academy reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Difference between expected and actual experience	$ 53,206	$ (49,498)	$ 3,708
Changes of assumptions	2,324,207	-	2,324,207
Net difference between projected actual earnings on pension plan investments	-	(380,422)	(380,422)
Changes in proportion and differences between the School District contributions and proportionate share of contributions	-	(1,089,013)	(1,089,013)
Total to be recognized in future	2,377,413	(1,518,933)	858,480
School District contributions subsequent to the measurement date	821,088	(393,313)	427,775
Total	$ 3,198,501	$ (1,912,246)	$ 1,286,255

Contributions subsequent to the measurement date reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. The Academy will offset the contribution expense in the year ended June 30, 2021 with the 147c supplemental income received subsequent to the measurement date which is included in the deferred inflows of resources. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows during the following plan years:

Deferred (Inflow) and Deferred Outflow of Resources by Year (To Be Recognized in Future Pension Expenses)	
2020	$ 365,415
2021	255,837
2022	153,302
2023	83,926
	$ 858,480

Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions:

- Valuation Date: September 30, 2018
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 2.75%
- Investment Rate of Return:
  - MIP and Basic Plans: 6.80%
  - Pension Plus Plan: 6.80%
  - Pension Plus 2 Plan: 6.00%
- Projected Salary Increases: 2.75 – 11.55%, including wage inflation at 2.75%
- Cost-of-Living Pension Adjustments: 3% Annual Non-Compounded for MIP Members

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

Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2017 valuation. The total pension liability as of September 30, 2019, is based on the results of an actuarial valuation date of September 30, 2018, and rolled forward using generally accepted actuarial procedures, including the experience study.

Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 4.4977.

Recognition period for assets is 5 years.

Full actuarial assumptions are available in the 2019 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

Long-Term Expected Return on Plan Assets
The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2019, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.0 %	5.5 %
Alternative Investment Pools	18.0	8.6
International Equity	16.0	7.3
Fixed Income Pools	10.5	1.2
Real Estate and Infrastructure Pools	10.0	4.2
Absolute Return Pools	15.5	5.4
Short Term Investment Pools	2.0	0.8
	100.0%	

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

Rate of Return
For the fiscal year ended September 30, 2019, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 5.14%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate
A discount rate of 6.80% was used to measure the total pension liability (6.80% for the Pension Plus plan, 6.0% for the Pension Plus 2, hybrid plans provided through non-university employers only). This discount rate was based on the long-term expected rate of return on pension plan investments of 6.80% (6.80% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based

on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Academy's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate
The following presents the Academy's proportionate share of the net pension liability calculated using the discount rate of 6.80% (6.80% for the Pension plus plan, 6.0% for the Pension Plus 2 plan), as well as what the Academy's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

1% Decrease *	Current Single Discount Rate Assumption *	1% Increase *
5.80% / 5.80% / 5.00%	6.80% / 6.80% / 6.00%	7.80% / 7.80% / 7.00%
$ 15,432,112	$ 11,870,271	$ 8,917,383

**Discount rates listed in the following order: Basic and Member Investment Plan (MIP), Pension Plus, and Pension Plus 2.*

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

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

Note 8 - Post-employment Benefits Other Than Pensions (OPEB)

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

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

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

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

Benefits Provided
Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which, through 2012, was funded on a cash disbursement basis. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, prescription drug, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the

premium is paid by the System with the balance deducted from the monthly pension of each retiree healthcare recipient. For members who first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP Graded plan members) the subsidy is the maximum allowed by statute. To limit future liabilities of Other Postemployment Benefits, members who first worked on or after July 1, 2008 (MIP-Plus plan members) have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning January 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date. Dependents are eligible for healthcare coverage if they meet the dependency requirements set forth in Public Act 300 of 1980, as amended.
Public Act 300 of 2012 granted all active members of the Michigan Public School Employees Retirement System, who earned service credit in the 12 months ending September 3, 2012 or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their retirement healthcare. Any changes to a member's healthcare benefit are effective as of the member's transition date, which is defined as the first day of the pay period that begins on or after February 1, 2013.

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

Contributions

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

Employer OPEB contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2018 valuation will be amortized over a 20-year period beginning Oct. 1, 2018 and ending Sept. 30, 2038.

The schedule below summarizes OPEB contribution rates in effect for fiscal year 2019.

OPEB Contribution Rates

Benefit Structure	Member	Employer
Premium Subsidy	3.0%	7.93%
Personal Healthcare Fund (PHF)	0.0%	7.57%

Required contributions to the OPEB Plan from the Academy were $245,682 for the year ended September 30, 2019

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB
At June 30, 2020, the Academy reported a liability of $2,568,345 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2019, and the total

OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2018. The Academy's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2019, the Academy's proportion was 0.0358 percent, which was a decrease of 0.0002 percent from its proportion measured as of September 30, 2018.

For the plan year ending September 30, 2019, the Academy recognized OPEB expense of $(34,476) for the measurement period. For the reporting period ending June 30, 2020, the Academy recognized total OPEB contribution expense of $211,064.

At June 30, 2020, the Academy reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Difference between expected and actual experience	$ -	$ (942,398)	$ (942,398)
Changes of assumptions	556,508	-	556,508
Net difference between projected and actual earnings on OPEB plan investments	-	(44,665)	(44,665)
Changes in proportion and differences between the School District contributions and proportionate share of contributions	-	(364,656)	(364,656)
Total to be recognized in future	556,508	(1,351,719)	(795,211)
School District contributions subsequent to the measurement date	184,189	-	184,189
Total	$ 740,697	$ (1,351,719)	$ (611,022)

Contributions subsequent to the measurement date reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows during the following plan years:

Deferred (Inflow) and Deferred Outflow of Resources by Year
(To Be Recognized in Future OPEB Expenses)

2020	$	(219,737)
2021		(219,737)
2022		(196,744)
2023		(124,051)
2024		(34,942)
	$	(795,211)

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions:

- Valuation Date: September 30, 2017
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 2.75%
- Investment Rate of Return: 6.95%
- Projected Salary Increases: 2.75 – 11.55%, including wage inflation at 2.75%
- Healthcare Cost Trend Rate: 7.5% Year 1 graded to 3.5% Year 12
- Mortality:
    - Retirees: RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
    - Active Members: Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Other Assumptions:

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

Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2018 valuation. The total OPEB liability as of September 30, 2019, is based on the results of an actuarial valuation date of September 30, 2018, and rolled forward using generally accepted actuarial procedures, including the experience study.

Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 5.7101.

Recognition period for assets is 5 years.

Full actuarial assumptions are available in the 2019 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2019, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.0 %	5.5 %
Alternative Investment Pools	18.0	8.6
International Equity	16.0	7.3
Fixed Income Pools	10.5	1.2
Real Estate and Infrastructure Pools	10.0	4.2
Absolute Return Pools	15.5	5.4
Short Term Investment Pools	2.0	0.8
	100.0%	

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

Rate of Return

For the fiscal year ended September 30, 2019, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 5.37%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

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

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

The following presents the Academy's proportionate share of the net OPEB liability calculated using the discount rate of 6.95%, as well as what the Academy's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

1% Decrease 5.95%	Current Discount Rate 6.95%	1% Increase 7.95%
$ 3,150,461	$ 2,568,345	$ 2,079,529

Sensitivity of the Academy's Proportionate Share of the Net OPEB Liability to Healthcare Cost Trend Rate
The following presents the Academy's proportionate share of the net OPEB liability calculated using assumed trend rates, as well as what the Academy's proportionate share of net OPEB liability would be if it were calculated using a trend rate that is 1-percentage-point lower or 1-percentage-point higher:

1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
$ 2,058,805	$ 2,568,345	$ 3,150,392

OPEB Plan Fiduciary Net Position
Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2019 MPSERS CAFR, available on the ORS website at www.michigan.gov/orsschools.

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

Note 9 - Contingent Liabilities

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

Note 10 - Permanent Endowment

Holly Academy participates in an endowment program with a fund held at the Community Foundation of Greater Flint called The Holly Academy Education Foundation Fund. Funds donated by outside donors for the benefit of The Holly Academy Education Foundation Fund are held and managed by the Community Foundation of Greater Flint. The fair market value of these funds was approximately $152,778 as of June 30, 2020. The Community Foundation maintains legal ownership of these funds. Outside donor contributions to the Community Foundation are not reported as assets of Holly Academy.

Note 11 - Change in Accounting Principle

As indicated in Note 1, Governmental Accounting Standards Board Statement 84 has been adopted. The standard requires this change be applied retroactively. The impact of this change is to increase beginning net position in the statement of activities and beginning fund balance in the statement of revenues, expenditures and changes in fund balances as of July 1, 2019 by $61,447, restating it from $(11,419,045) to $(11,357,598) and from $2,148,197 to $2,209,644.

Note 12 - Subsequent Event

As result of the global coronavirus pandemic of 2020, the financial picture for Michigan School Districts has seen an unanticipated change. The duration and full effects of the outbreak are currently unknown, as the local and global picture continues to change frequently. To reduce the chance of spreading COVID-19; in March 2020, public schools were closed for the remainder of the 2019-2020 school year. As a result of the pandemic, the State of Michigan encountered a revenue shortfall resulting in a revenue reduction for Districts of $175 per pupil which reduced the state aid payment in August of 2020. Subsequent to year end, multiple new revenue sources were approved; including Public Act 123 of 2020 which provides Districts an approximate $12.32 per pupil and Public Act 146 of 2020 which provides Districts $350 per pupil. These new revenue streams approved after June 30, 2020 will be recognized in the fiscal year ended June 30, 2021 in accordance with reporting criteria established by the Governmental Accounting Standards Board. Additionally, the "Return to Learn" legislation passed subsequent to year end which modifies the per pupil foundation allowance calculation and allows flexibilities in the days and attendance requirements for Districts. Local districts are able to decide whether to provide instruction virtually or face to face for the 2020-2021 school year. Currently, it is not possible to estimate the full extent of any potential impacts to the District or to determine if any changes in fair values are other than temporary in nature. Accordingly, no adjustments to the financial statements were made as a result of these events.

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REQUIRED SUPPLEMENTARY INFORMATION

Holly Academy
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2020

	Budgeted Amounts			
	Original	Final	Actual	Over (Under) Budget
Revenues				
Local sources	$ 70,000	$ 66,570	$ 66,364	$ (206)
State sources	5,809,507	5,835,709	5,726,585	(109,124)
Federal sources	245,000	231,401	228,214	(3,187)
Interdistrict sources	156,000	133,339	133,339	-
Total revenues	6,280,507	6,267,019	6,154,502	(112,517)
Expenditures				
Instruction				
Basic programs	3,110,791	3,089,110	3,088,824	(286)
Added needs	464,375	447,348	446,835	(513)
Supporting services				
Pupil	235,767	233,396	233,239	(157)
Instructional staff	564,191	583,661	580,179	(3,482)
General administration	161,085	160,112	156,847	(3,265)
School administration	417,491	422,193	421,915	(278)
Business	169,847	179,070	178,998	(72)
Operations and maintenance	558,008	573,263	573,224	(39)
Athletic activities	26,800	24,600	24,579	(21)
Total expenditures	5,708,355	5,712,753	5,704,640	(8,113)
Excess of revenues over expenditures	572,152	554,266	449,862	(104,404)

Holly Academy
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2020

	Budgeted Amounts			
	Original	Final	Actual	Over (Under) Budget
Other Financing Uses				
Transfers out	(549,700)	(548,266)	(548,266)	-
Total other financing uses	(549,700)	(548,266)	(548,266)	-
Net change in fund balance	22,452	6,000	(98,404)	(104,404)
Fund balance - beginning	1,854,343	1,854,343	1,854,343	-
Fund balance - ending	$ 1,876,795	$ 1,860,343	$ 1,755,939	$ (104,404)

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

		2020	2019	2018	2017	2016	2015
A.	Academy's proportion of net pension liability (%)	0.0358%	0.0385%	0.0417%	0.0427%	0.0439%	0.0439%
B.	Academy's proportionate share of net pension liability	$ 11,870,271	$ 11,568,745	$ 10,811,931	$ 10,660,865	$10,597,934	$ 9,662,322
C.	Academy's covered-employee payroll	$ 3,094,470	$ 3,061,217	$ 3,462,535	$ 3,747,363	$ 3,640,332	$ 3,771,491
D.	Academy's proportionate share of net pension liability as a percentage of its covered-employee payroll	383.60%	377.91%	312.25%	284.49%	291.13%	256.19%
E.	Plan fiduciary net position as a percentage of total pension liability	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%

Notes:

Changes of benefit terms: There were no changes of benefit terms in plan fiscal year 2019.
Changes of benefit assumptions: There were no changes of benefit assumptions in plan fiscal year 2019.

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

		For the Years Ended June 30,					
		2020	2019	2018	2017	2016	2015
A.	Statutorily required contributions	$ 879,215	$ 951,390	$ 1,460,752	$ 959,532	$ 837,043	$ 789,011
B.	Contributions in relation to statutorily required contributions	879,215	951,390	1,460,752	959,532	837,043	789,011
C.	Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
D.	Academy's covered payroll	$ 3,094,470	$ 3,108,802	$ 3,129,002	$ 3,505,559	$ 3,472,231	$ 3,534,443
E.	Contributions as a percentage of covered payroll	28.41%	30.60%	46.68%	27.37%	24.11%	22.32%

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

		2020	2019	2018
A.	Academy's proportion of net OPEB liability (%)	0.0358%	0.0359%	0.0417%
B.	Academy's proportionate share of net OPEB liability	$ 2,568,345	$ 2,857,485	$ 3,692,413
C.	Academy's covered-employee payroll	$ 3,094,470	$ 3,061,217	$ 3,462,535
D.	Academy's proportionate share of net OPEB liability as a percentage of its covered- employee payroll	83.00%	93.34%	106.64%
E.	Plan fiduciary net position as a percentage of total OPEB liability	48.46%	42.95%	36.39%

Notes:

Changes of benefit terms: There were no changes of benefit terms in plan fiscal year
Changes of benefit assumptions: There were no changes of benefit assumptions in p

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

		For the Years Ended June 30,		
		2020	2019	2018
A.	Statutorily required contributions	$ 211,064	$ 239,116	$ 232,842
B.	Contributions in relation to statutorily required contributions	211,064	239,116	232,842
C.	Contribution deficiency (excess)	$ -	$ -	$ -
D.	Academy's covered payroll	$ 3,094,470	$ 3,108,802	$ 3,129,002
E.	Contributions as a percentage of covered payroll	6.82%	7.69%	7.44%

OTHER SUPPLEMENTARY INFORMATION

Holly Academy
Other Supplemental Information
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2020

	Special Revenue Funds			
	Student/School Activity Fund	Debt Service Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
Assets				
Cash	$ 57,517	$ 243,180	$ 56,600	$ 357,297
Total assets	57,517	243,180	56,600	357,297
Fund Balance				
Fund Balance				
Restricted for:				
Committed				
Debt service	-	243,180	-	243,180
Capital Projects	-	-	56,600	56,600
Student/School Activities	57,517	-	-	57,517
Total fund balance	$ 57,517	$ 243,180	$ 56,600	$ 357,297

Holly Academy
Other Supplemental Information
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2020

	Special Revenue Funds			
	Student/School Activity Fund	Capital Projects Fund	Debt Service Fund	Total Nonmajor Governmental Funds
Revenues				
Local sources	$ 105,775	$ -	$ -	$ 105,775
Expenditures				
Current				
Education				
Supporting services	109,705	-	-	109,705
Capital outlay	-	22,600	-	22,600
Debt service				
Principal	-	-	95,000	95,000
Interest and other expenditures	-	-	424,740	424,740
Total expenditures	109,705	22,600	519,740	652,045
Deficiency of revenues over expenditures	(3,930)	(22,600)	(519,740)	(546,270)
Other Financing Sources (Uses)				
Transfers in	-	26,400	521,866	548,266
Net change in fund balance	(3,930)	3,800	2,126	1,996
Fund balance - beginning	61,447	52,800	241,054	355,301
Fund balance - ending	$ 57,517	$ 56,600	$ 243,180	$ 357,297

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

Independent Auditors' Report

Management and the Board of Directors
Holly Academy
Holly, MI

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 Holly Academy, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Holly Academy's basic financial statements, and have issued our report thereon dated September 25, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Holly Academy's internal control over financial reporting 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 Holly Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of Holly Academy's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Yeo & Yeo, P.C.

Flint, MI
September 25, 2020

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September 25, 2020

To whom it may concern:

A management letter from Yeo & Yeo to Holly Academy with comments and recommendations was not issued for the fiscal year ending June 30, 2020.

Should you have any questions, please contact our office.

Very truly yours,

Yeo & Yeo, PC
CPAs and Business Consultants

Jennifer Watkins, CPA

YEO & YEO
CPAs & BUSINESS CONSULTANTS

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September 25, 2020

Management and the Board of Directors
Holly Academy
820 Academy Rd
Holly, MI

We have completed our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Holly Academy as of and for the year ended June 30, 2020, and have issued our report dated September 25, 2020. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America, *Government Auditing Standards* as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated May 19, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the School District are described in Note 1 of the financial statements. The Academy has adopted the following Governmental Accounting Standards Board Statements effective July 1, 2019:

- Statement No. 84, *Fiduciary Activities* improves the guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The criteria generally is on (1) is the government controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally will report fiduciary activities that are not held in a trust or similar arrangement that meets specific criteria.
- Statement No. 92, *Omnibus 2020* enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following: (1) The effective date of Statement No. 87, Leases, and Implementation Guide No. 2019-3, Leases, for interim financial reports (2) Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan. (3) The applicability of Statements No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, as amended, and No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, to reporting assets accumulated for postemployment benefits. (4) The applicability of certain requirements of Statement No. 84, Fiduciary Activities, to postemployment benefit arrangements. (5) Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition. (6) Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers. (7) Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature. (8) Terminology used to refer to derivative instruments.

- Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* provides a temporary relief to governments and other stakeholders in light of the COVID-19 pandemic and provides a postponement of certain GASB Statements.

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

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

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

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

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

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

The financial statement disclosures are neutral, consistent, and clear.

Accounting Standards and Regulatory Updates

Accounting Standards

The Governmental Accounting Standards Board has released additional Statements. Details regarding these Statements are described in Note 1 of the financial statements.

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

Regulatory and Other Updates

FER Extended Time Notification
The 2019-20 Final Expenditure Report (FER) due date is November 29, 2020. This report should reconcile to the Single Audit Report and the LEA's financial records. LEAs should verify that the figures on the report are a true and accurate representation of expenditures for each project. LEAs experiencing extenuating circumstances will be allowed to request additional time for submission prior to November 21, 2020, to the Office of Educational Supports Financial Unit at OFSFinancial-Unit@michigan.gov. Extension time is available if needed, but will not exceed December 31, 2020. Your timely submission of these reports helps ensure carryover funds are available for program implementation for the current school year.

District Guide to School-Level Expenditure Reporting Under the Every Student Succeeds Act (ESSA)

The federal Every Student Succeeds Act (ESSA) contains a new requirement that all local public school districts (local education agencies and public school academies) publish actual per-pupil expenditures by individual school building. MDE has recently published a District Guide to School-Level Expenditure Reporting under the Every Student Succeeds Act to assist districts in communication planning around this data that will be posted on the Michigan School Data website no later than June 30, 2020. This guide is intended to support district-level personnel communicating with principals, educators, community members, and media on the reporting requirement and school-level spending information. Districts are encouraged to continue to scrutinize reporting results at the building level and use building codes when applicable to properly allocate expenses to avoid future questions resulting from this data being available to the public.

Financial Accounting Guidance During the COVID-19 Pandemic

Michigan Department of Education (MDE) has issued guidance about financial accounting for transactions related to the COVID19 pandemic, school closures, and implementation of a Continuity of Learning and COVID19 Response Plan. This guidance is updated regularly and can be found using this link: https://www.michigan.gov/documents/mde/COVID-19_Accounting_Guidance_691616_7.pdf

FID Changes for 2020 and Beyond

Expenditure object code requirements submitted through the FID will be changing. The system currently allows for two-digit detail. This is being changed to require three digits. The 2019-20 submission will generate warnings for data that doesn't comply with the three-digit detail. Take note of the warnings in order to correct them prior to the 2020-21 submission. If the data is not in compliance for the 2021 submission, error codes will be generated. The goal of this change is to potentially reduce or streamline other program specific reporting. There will also be a new error check to ensure that any buildings that have an enrollment greater than zero should have expenditures reported.

ESSER and CARES Act Accounting

As LEAs are recognizing Elementary and Secondary School Emergency Relief (ESSER) fund in revenues and expenditures, a new account code should be used. The new major class code of 414 should be used with a suffix of 0250. Expenditures should be reported under the new grant code 796. Most function codes are allowable, but the grant guidance should be referred to when determining the allowable uses of funds. MDE's guidance on what the funds can be used for can be found in the guidance memo located at https://www.michigan.gov/documents/mde/. ESSER_guidance_688430_7.pdf

Special Education Compliance Information

The excess cost requirement testing is being implemented for 2019-20 as a pilot test. This will be completed in fall of 2020. Due to the test being in the pilot phase, any districts that do not meet the requirement will be made aware for informational purposes only, and a formal violation will not be triggered at this time.

Maintenance of Effort includes a test for compliance and a test for eligibility. The compliance testing piece went live on March 17, 2020 for the 2018-19 period, it is anticipated that all 56 ISDs will meet compliance under at least one of the four methods to calculate. The 2020-21 eligibility testing went level on June 1, 2020. These tests are being conducted at the ISD level. It is important for all LEAs to verify they are submitting accurate information to the ISD in order to have accurate data in these calculations.

Starting in fiscal year 2021, the IDEA Flowthrough and Preschool funds will move from a 27-month grant application to 15-month grant application period. Any unspent funds will be carried over to the next grant award. Additionally, there will be no IFERs starting in fiscal year 2021. Final expenditure reports will be done in CMS and final district level expenditure reports will be done in MEGS+. Starting with fiscal year 2022, grant applications will be done in NexSys, the new grants management system. It will contain both grant applications and payments.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

There were no known uncorrected misstatements that were more than trivial.

Disagreements with Management

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

Management Representations

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

Management's Consultations with Other Accountants

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

Other Audit Findings or Issues

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

Emphasis of Matters in Independent Auditors' Report

Our report will include the following emphasis of matter paragraph:

> **Adoption of New Accounting Standards**
> As described in Note 1 to the financial statements, during the year ended June 30, 2020, the School District adopted GASB Statement No. 84, *Fiduciary Activities*. Our opinions are not modified with respect to this matter.

Other Reports

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

Report on Required Supplementary Information

With respect to the required supplementary information accompanying the financial statements, which includes management's discussion and analysis, schedule of the school district's proportionate share of the net pension liability, schedule of the school district's pension contributions, schedule of the school district's proportionate share of the net OPEB liability, schedule of the school district's OPEB contributions, and budgetary comparison information, we applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Report on Other Supplementary Information

With respect to the other supplementary information accompanying the financial statements, 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 supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

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

Restriction on Use

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

Yeo & Yeo, P.C.

Flint, Michigan