

Audited Financial Statements

West Michigan Aviation Academy

Grand Rapids, Michigan

June 30, 2022

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of West Michigan Aviation Academy

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the West Michigan Aviation Academy, as of June 30, 2022, 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.

Basis for Opinions

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

Adoption of New Accounting Standard

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the West Michigan Aviation Academy's basic financial statements. The accompanying combining and individual nonmajor fund financial statements and schedules of revenues and expenditures are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules of revenues and expenditures are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2022, on our consideration of the West Michigan Aviation 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 the West Michigan Aviation 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 West Michigan Aviation Academy's internal control over financial reporting and compliance.



Croskey Lanni, PC

Rochester, Michigan
October 28, 2022



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

**To the Board of Directors
of West Michigan Aviation Academy**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of West Michigan Aviation Academy, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise West Michigan Aviation Academy's basic financial statements, and have issued our report thereon dated October 28, 2022.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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



Croskey Lanni, PC

Rochester, Michigan
October 28, 2022

WEST MICHIGAN AVIATION ACADEMY

STATEMENT OF NET POSITION JUNE 30, 2022

ASSETS AND DEFERRED OUTFLOWS

Assets

Cash and cash equivalents	\$	931,431
Accounts receivable		254,544
Lease receivable		657,182
Due from other governmental units		1,132,199
Prepaid expenses		157,790
Capital Assets - Net of Accumulated Depreciation / Amortization		<u>12,910,657</u>
Total assets		16,043,803

Deferred Outflows

Interest rate swap		234,486
Related to pension		10,517
Related to other post employment benefits		<u>7,614</u>
Total deferred outflows		<u>252,617</u>
Total assets and deferred outflows	\$	<u><u>16,296,420</u></u>

LIABILITIES, DEFERRED INFLOWS, AND NET POSITION

Current Liabilities

Accounts payable	\$	244,023
Notes payable		90,490
Unearned revenue		204,691
Other accrued expenses		336,069
Net pension liability		41,127
Net other post employment benefit liability		2,449
Long-term debt - current portion		<u>485,660</u>
Total current liabilities		1,404,509

Long-Term Debt - Long-Term Portion

6,322,249

Deferred Inflows

Interest rate swap		234,486
Related to lease		650,573
Related to pension		20,317
Related to other post employment benefits		<u>16,352</u>
Total deferred inflows		921,728

Net Position

Net investment in capital assets		6,102,748
Restricted for special revenue, debt service, and capital projects		244,286
Unrestricted		<u>1,300,900</u>
Total net position		<u>7,647,934</u>
Total liabilities, deferred inflows and net position	\$	<u><u>16,296,420</u></u>

See accompanying notes to financial statements

WEST MICHIGAN AVIATION ACADEMY

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2022

		Program Revenues		Net (Expense) Revenues and Changes in Net Position
	Expenses	Charges for Services	Operating Grants	Government Type Activities
Functions				
Instruction				
Basic programs	\$ 2,322,479	\$ -	\$ 232,356	\$ (2,090,123)
Added needs	957,886	-	174,176	(783,710)
Support services				
Pupil support services	322,354	-	131,346	(191,008)
Instructional staff support services	123,075	-	97,307	(25,768)
General administration	430,560	-	-	(430,560)
School administration	804,995	-	-	(804,995)
Business support services	18,693	-	-	(18,693)
Operations and maintenance	645,211	-	10,002	(635,209)
Pupil transportation services	10,227	-	-	(10,227)
Central support services	156,001	-	10,282	(145,719)
Athletic activities	105,063	80,320	-	(24,743)
Other student activities	69,555	-	-	(69,555)
Other support services	50	-	-	(50)
Unallocated depreciation / amortization	1,020,499	-	1,000,000	(20,499)
Unallocated interest	268,358	-	-	(268,358)
Total primary government	\$ 7,255,006	\$ 80,320	\$ 1,655,469	(5,519,217)
General Purpose Revenues				
State school aid - unrestricted				5,340,632
Donations				5,696,720
Miscellaneous revenues				811,809
Total general purpose revenues				11,849,161
Change in net position				6,329,944
Net position - July 1, 2021				1,317,990
Net position - June 30, 2022				\$ 7,647,934

See accompanying notes to financial statements

WEST MICHIGAN AVIATION ACADEMY

COMBINED BALANCE SHEET – ALL GOVERNMENTAL FUNDS

JUNE 30, 2022

ASSETS

	General	Non-Major	Total
Cash and cash equivalents	\$ 884,870	\$ 46,561	\$ 931,431
Accounts receivable	254,544	-	254,544
Due from other governmental units	1,132,199	-	1,132,199
Due from other funds	-	212,068	212,068
Prepaid expenses	157,790	-	157,790
	\$ 2,429,403	\$ 258,629	\$ 2,688,032
Total assets	\$ 2,429,403	\$ 258,629	\$ 2,688,032

LIABILITIES AND FUND BALANCE

Liabilities

Accounts payable	\$ 244,023	\$ -	\$ 244,023
Notes payable	90,490	-	90,490
Due to other funds	197,725	14,343	212,068
Unearned revenue	204,691	-	204,691
Other accrued expenses	322,372	-	322,372
	1,059,301	14,343	1,073,644
Total liabilities	1,059,301	14,343	1,073,644

Fund Balance

Nonspendable	157,790	-	157,790
Restricted	-	244,286	244,286
Assigned	111,023	-	111,023
Unassigned	1,101,289	-	1,101,289
	1,370,102	244,286	1,614,388
Total fund balance	1,370,102	244,286	1,614,388
	\$ 2,429,403	\$ 258,629	\$ 2,688,032
Total liabilities and fund balance	\$ 2,429,403	\$ 258,629	\$ 2,688,032

See accompanying notes to financial statements

WEST MICHIGAN AVIATION ACADEMY

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET POSITION OF GOVERNMENTAL ACTIVITIES JUNE 30, 2022

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

Total Governmental Fund Balances	\$	1,614,388
Lease receivable included in governmental activities are not financial resources as they are not available to benefit the current period and, therefore, are not reported in the funds		657,182
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$18,950,405 and the accumulated depreciation / amortization is \$6,039,748.		12,910,657
Interest is not payable until due in governmental activities and, therefore, is not recorded in the funds.		(13,697)
Deferred Outflows of Resources:		
Related to pension	\$ 10,517	
Related to OPEB	<u>7,614</u>	18,131
Deferred Inflows of Resources:		
Related to lease	\$ (650,573)	
Related to pension	(20,317)	
Related to OPEB	<u>(16,352)</u>	(687,242)
Net pension obligations are not due and payable in the current period and are not reported as fund liabilities.		(41,127)
Net OPEB obligations are not due and payable in the current period and are not reported as fund liabilities.		(2,449)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		<u>(6,807,909)</u>
Net Position of Governmental Activities	\$	<u>7,647,934</u>

See accompanying notes to financial statements

WEST MICHIGAN AVIATION ACADEMY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – ALL GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2022

	<u>General</u>	<u>Non-Major</u>	<u>Total</u>
Revenues			
Local sources	\$ 5,877,618	\$ 364,623	\$ 6,242,241
Non-educational sources	1,000,000	-	1,000,000
State sources	5,621,956	-	5,621,956
Federal sources	296,349	-	296,349
Interdistrict sources	77,796	-	77,796
	<hr/>	<hr/>	<hr/>
Total governmental fund revenues	12,873,719	364,623	13,238,342
Expenditures			
Instruction			
Basic programs	2,322,479	-	2,322,479
Added needs	957,886	-	957,886
Support services			
Pupil support services	322,354	-	322,354
Instructional staff support services	123,075	-	123,075
General administration	430,560	-	430,560
School administration	799,572	-	799,572
Business support services	18,693	-	18,693
Operations and maintenance	645,211	-	645,211
Pupil transportation services	10,227	-	10,227
Central support services	156,001	-	156,001
Athletic activities	105,063	-	105,063
Other student activities	-	69,555	69,555
Other support services	-	50	50
Capital outlay	6,477,110	408,216	6,885,326
Debt principal and interest	93,113	631,770	724,883
	<hr/>	<hr/>	<hr/>
Total governmental fund expenditures	12,461,344	1,109,591	13,570,935
Excess (deficiency) of revenues over expenditures	412,375	(744,968)	(332,593)
Other Financing Sources (Uses)			
Proceeds from leases and long-term debt	340,000	-	340,000
Operating transfers in	-	691,329	691,329
Operating transfers out	(691,329)	-	(691,329)
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	(351,329)	691,329	340,000
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	61,046	(53,639)	7,407
Fund balance - July 1, 2021	1,309,056	297,925	1,606,981
	<hr/>	<hr/>	<hr/>
Fund balance - June 30, 2022	\$ 1,370,102	\$ 244,286	\$ 1,614,388

See accompanying notes to financial statements

WEST MICHIGAN AVIATION ACADEMY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2022

Net Change in Fund Balances - Total Governmental Funds \$ 7,407

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation and amortization expense. This is the amount by which capital outlays exceeded depreciation and amortization in the current period.

Capital outlay	\$ 6,885,326	
Depreciation and amortization expense	<u>(1,020,499)</u>	5,864,827

Revenue is reported in the statement of activities when earned, but not reported in the funds until collected or collectible within 60 days of year end.

Change in pension expense and deferred items	(6,993)
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Change in OPEB expense and deferred items	1,570
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The statement of activities recognize lease revenue on a straight-line basis over the life of the lease. The governmental funds recognize lease revenue according to the principal and interest paid over the life of the lease. The net effect of these differences in the treatment of lease revenue receivable is as follows:

Lease interest revenue	6,609
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The governmental funds report loan proceeds as an other financing source, while repayment of loan principal is reported as an expenditure. Interest is recognized as an expenditure in the governmental funds when it is due. The net effect of these differences in the treatment of general loan obligations is as follows:

Repayment of loan principal	\$ 461,317	
Interest expense	<u>(4,793)</u>	<u>456,524</u>

Change in Net Position of Governmental Activities \$ 6,329,944

See accompanying notes to financial statements

WEST MICHIGAN AVIATION ACADEMY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of West Michigan Aviation Academy (the “Academy”) conform to generally accepted accounting principles applicable to public school academies. The following is a summary of the significant accounting policies:

Reporting Entity

West Michigan Aviation Academy was formed as a public 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 filed articles of incorporation as a nonprofit corporation pursuant to the provisions of the Michigan Nonprofit Corporation Act of 1982, as amended, on August 13, 2009, and began operation in July 2010.

In July 2018, the Academy entered into an eight-year contract with Bay Mills Community College Board of Regents 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. The College’s Board of Regents 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 Bay Mills Community College Board of Regents three percent of state aid as administrative fees. Total administrative fees paid for the year ended June 30, 2022 were approximately \$169,000. In September 2022, the Academy asked to be released from their contract with the Bay Mills Community College Board of Regents and signed a contract with the Grand Valley State University’s Board of Trustees through June 30, 2029.

In July 2018, the Academy entered into an eight-year agreement, through June 2026, with CSP Management, Inc. doing business as Partner Solutions. Partner Solutions provides financial and human resource services to the Academy. The Academy was obligated to pay Partner Solutions three and a half percent of its state aid during the 2021-2022 school year. The total paid for these services amounted to \$183,584 for the year ended June 30, 2022.

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational or financial relationships with the public school academy. Based on application of criteria, the Academy does not contain component units.

Fund Financial Statements

Fund financial statements report detailed information about the Academy. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

Basis of Presentation – Fund Accounting

The accounts of the Academy are organized on the basis of funds. The operations of a fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenue and expenditures. Government resources are allocated to and accounted for in individual funds based on the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the combined financial statements in this report, into generic fund types in two broad fund categories.

WEST MICHIGAN AVIATION ACADEMY

NOTES TO FINANCIAL STATEMENTS- Continued
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Governmental Funds

A governmental fund is a fund through which most Academy functions typically are financed. The acquisition, use and balances of the Academy's expendable financial resources and the related current liabilities are accounted for through a governmental fund.

General Fund - The general fund is used to record the general operations of the Academy pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved current operating budget.

Special Revenue Fund (Food Service) - The special revenue fund is used to account for the food service program operations. The special revenue fund is a subsidiary operation and is an obligation of the general fund. Therefore, any shortfall in the special revenue fund will be covered by an operating transfer from the general fund.

Special Revenue Fund (Student Activities) - The Academy presently maintains an activity fund to record the transactions of student groups for school and school-related purposes. The student activity fund is a subsidiary operation and is an obligation of the general fund. Therefore, any shortfall in the student activity fund will be covered by an operating transfer from the general fund.

Special Revenue Fund (School Foundation) - The school foundation fund is used to account for the activity of the school in relation to the school's foundation. The school foundation fund is a subsidiary operation and is an obligation of the general fund. Therefore, any shortfall in the school foundation fund will be covered by an operating transfer from the general fund.

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

Capital Projects Fund - The capital projects fund accounts for financial resources to be used for the acquisition, construction, or improvement of capital facilities.

Governmental and agency funds utilize the modified accrual basis of accounting. Modifications in such method from the accrual basis are as follows:

- a. Revenue that is both measurable and available for use to finance operations is recorded as revenue when earned. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Academy considers revenues to be available if they are collected within sixty days of the end of the current fiscal period.
- b. Payments for inventorable types of supplies, which are not significant at year end, are recorded as expenditures at the time of purchase.
- c. Principal and interest of general long-term debt are not recorded as expenditures until their due dates.

WEST MICHIGAN AVIATION ACADEMY

NOTES TO FINANCIAL STATEMENTS- Continued
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

- d. The State of Michigan utilizes a foundation allowance funding approach, which provides for specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenue from state sources is primarily governed by the School Aid Act and the School Code of Michigan. The state portion of the foundation is provided from the State's School Aid Fund and is recognized as revenue in accordance with state law. A major portion of the Academy's revenue is derived from this state aid. As such, the Academy is considered to be economically dependent on this aid. The Academy's existence is dependent upon qualification for such aid.

Government-Wide Financial Statements

The government-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This approach differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationships between the government-wide statements and the statements for governmental funds.

The government-wide Statement of Activities presents a comparison between expenses and program revenues for each segment of the business-type activities of the Academy and for each governmental program. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. The Academy does not allocate indirect expenses to programs. In creating the government-wide financial statements the Academy has eliminated inter-fund transactions. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or function is self financing or draws from the general revenues of the Academy. When both restricted and unrestricted resources are available for use, it is the Academy's policy to use restricted resources first.

Net position should be reported as restricted when constraints placed on net position's use is either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The Academy first utilizes restricted resources to finance qualifying activities.

WEST MICHIGAN AVIATION ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Cash and Cash Equivalents

The Academy's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with maturities of three months or less from the date of acquisition. The Academy reports its investments in accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools and GASB No. 40, Deposit and Investment Risk Disclosures. Under these standards, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Academy intends to hold the investment until maturity. The Academy held no investments during the year ended June 30, 2022. State statutes authorize the Academy to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, saving accounts, deposit accounts, and or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Corporation or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The Academy is also authorized to invest in U.S. Government or Federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

Receivables

Receivables at June 30, 2022, consist primarily of state school aid due from the State of Michigan and the federal government. All receivables are expected to be fully collected in July and August of 2022 and are considered current for the purposes of these financial statements.

Prepaid Assets

Payments made to vendors for services that will benefit periods beyond June 30, 2022, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

Capital Assets and Depreciation

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions or retirements during the year. The Academy follows the policy of not capitalizing assets with a useful life of less than one year. The Academy does not possess any infrastructure assets.

WEST MICHIGAN AVIATION ACADEMY

NOTES TO FINANCIAL STATEMENTS- Continued
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

All reported capital assets, with the exception of land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Right to use assets of the Academy are amortized using the straight-line method over the shorter of the lease period or the estimated useful lives. Depreciation is computed using the straight-line method over the following useful lives:

Building and improvements	10 – 50 years
Furniture and equipment	5 – 15 years
Computers and software	3 – 10 years

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, the non-current portion of capital leases that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources until then. The Academy reports the fair value of its interest rate swap as a deferred outflow of resources.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources until that time. The Academy reports the fair value of its interest rate swap as a deferred inflow of resources.

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 (MPERS) and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. 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.

WEST MICHIGAN AVIATION ACADEMY

NOTES TO FINANCIAL STATEMENTS- Continued
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

Net Position

Net position represents the difference between assets, deferred outflows and liabilities, and deferred inflows. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors or laws of regulations of other governments.

Fund Equity

The Academy has adopted GASB 54 as part of its fiscal year reporting. The intention of the GASB is to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the Academy's financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on those resources.

GASB 54 provides for two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. This category typically includes prepaid items and inventories.

In addition to nonspendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints.

- a. *Restricted fund balance* – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- b. *Committed fund balance* – amounts constrained to specific purposes by the Board; to be reported as committed, amounts cannot be used for any other purpose unless the Board takes action to remove or change the constraint.
- c. *Assigned fund balance* – amounts the Board intends to use for a specific purpose; intent can be expressed by the Board or by an official or committee to which the Board delegates the authority.
- d. *Unassigned fund balance* – amounts that are available for any purpose; these amounts are reported only in the general fund.

WEST MICHIGAN AVIATION ACADEMY

NOTES TO FINANCIAL STATEMENTS- Continued
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The Academy follows the policy that restricted, committed, or assigned amounts will be considered to have been spent when an expenditure is incurred for purposes for which both unassigned and restricted, committed, or assigned fund balances are available. There are no governmental funds with a deficit.

Leases

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

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

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

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

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

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 amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

WEST MICHIGAN AVIATION ACADEMY

NOTES TO FINANCIAL STATEMENTS- Continued
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Upcoming Accounting Pronouncements

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

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Annual budgets are adopted on a consistent basis with accounting principles generally accepted in the United States of America and state law for the general fund. All annual appropriations lapse at fiscal year end and encumbrances are not formally recorded.

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. Expenditures in excess of amounts budgeted is a violation of Michigan Law. The Academy is required by law to adopt a general fund budget. During the year ended June 30, 2022, the budget was amended in a legally permissible manner. Page 34 of these financial statements compares actual revenues and expenditures against amounts appropriated.

NOTE 3 - DEPOSITS AND INVESTMENTS

Interest Rate Risk

In accordance with its investment policy, the Academy will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the Academy's cash requirements.

Credit Risk

State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2022, the Academy held no investments.

WEST MICHIGAN AVIATION ACADEMY

NOTES TO FINANCIAL STATEMENTS- Continued
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 3 - DEPOSITS AND INVESTMENTS - Continued

Concentration of Credit Risk

The Academy will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Academy's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. As of June 30, 2022, \$1,944,829 of the Academy's cash was exposed to custodial credit risk because it was uninsured. All cash balances were uncollateralized as of June 30, 2022.

Custodial Credit Risk - Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the Academy will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The Academy will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the Academy will do business.

Foreign Currency Risk

The Academy is not authorized to invest in investments which have this type of risk.

Fair Value

Generally accepted accounting principles define fair value, establish a framework for measuring fair value, and establish a fair value hierarchy that prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Academy has the ability to access.
- b. Level 2 inputs are inputs (other than quoted prices included within Level 1) that are observable for the asset or liability, either directly or indirectly.

WEST MICHIGAN AVIATION ACADEMY

NOTES TO FINANCIAL STATEMENTS- Continued
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 3 - DEPOSITS AND INVESTMENTS - Continued

- c. Level 3 are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability. (The observable inputs should be developed based on the best information available in the circumstances and may include the Academy's own data.)

The Academy does not have any investments that are subject to the fair value measurement.

NOTE 4 – LEASE REVENUE

Lease Revenue Information

	<u>Maturity Date</u>	<u>Approximate Payment</u>	<u>Other</u>		
Facility Lease	August, 2026	\$14,500 Monthly	Sublease of hanger space, payable monthly for five years.		
	<u>Balance July 1, 2021</u>	<u>Additions</u>	<u>Retirements and Payments</u>	<u>Balance June 30, 2022</u>	<u>Due Within One Year</u>
Facility Lease	<u>\$ -</u>	<u>\$ 780,688</u>	<u>\$ 123,506</u>	<u>\$ 657,182</u>	<u>\$ 147,162</u>

The approximate amount of lease obligations coming due during the next five years are as follows:

	<u>Principal</u>	<u>Interest</u>
2023	\$ 147,162	\$ 26,838
2024	153,910	20,090
2025	160,967	13,033
2026	168,348	5,652
2027	26,795	201

WEST MICHIGAN AVIATION ACADEMY

NOTES TO FINANCIAL STATEMENTS- Continued
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 5 – DUE FROM OTHER GOVERNMENTAL UNITS

Amounts due from other governmental units consist of the following:

State sources	\$ 1,001,125
Federal sources	<u>131,074</u>
Total	<u>\$ 1,132,199</u>

NOTE 6 - CAPITAL ASSETS

Capital asset activity of the Academy's governmental activities was as follows:

	As Restated Balance July 1, 2021	Additions	Disposals	Balance June 30, 2022
Capital assets subject to depreciation / amortization				
Right to use - assets	\$ 340,939	\$ -	\$ -	\$ 340,939
Improvements	11,076,533	6,885,326	-	17,961,859
Equipment	544,985	-	-	544,985
Furniture	58,167	-	-	58,167
Computer	44,455	-	-	44,455
Sub-total	<u>12,065,079</u>	<u>6,885,326</u>	<u>-</u>	<u>18,950,405</u>
Accumulated depreciation / amortization				
Right to use - assets	-	75,682	-	75,682
Improvements	4,616,615	915,297	-	5,531,912
Equipment	306,379	28,363	-	334,742
Furniture	52,397	560	-	52,957
Computer	43,858	597	-	44,455
Sub-total	<u>5,019,249</u>	<u>1,020,499</u>	<u>-</u>	<u>6,039,748</u>
Total net capital assets	<u>\$ 7,045,830</u>	<u>\$ 5,864,827</u>	<u>\$ -</u>	<u>\$ 12,910,657</u>

Depreciation and amortization expense was not charged to activities as the Academy considers its assets to impact multiple activities and allocation is not practical.

WEST MICHIGAN AVIATION ACADEMY

NOTES TO FINANCIAL STATEMENTS- Continued
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 7 – NOTES PAYABLE

Loan Information

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Other</u>
SAAN 20 - 21	3.85%	August, 2021	Paid in full
SAAN 20 - 21	3.85%	August, 2021	Paid in full
SAAN 21 - 22	3.25%	September, 2022	Issued to provide funds to Academy to finance school operations; secured by future state aid payments

Loan Activity

	<u>Balance July 1, 2021</u>	<u>Additions</u>	<u>Retirements and Payments</u>	<u>Balance June 30, 2022</u>
SAAN 20 - 21	\$ 162,500	\$ -	\$ 162,500	\$ -
SAAN 20 - 21	166,668	-	166,668	-
SAAN 21 - 22	-	500,000	409,510	90,490
	<u>\$ 329,168</u>	<u>\$ 500,000</u>	<u>\$ 738,678</u>	<u>\$ 90,490</u>

NOTE 8 – OTHER ACCRUED EXPENSES

Other accrued expenses may be summarized as follows:

	<u>Net Position</u>	<u>Funds</u>
Purchased services	\$ 291,927	\$ 291,927
University oversight fee	30,027	30,027
Interest	14,115	418
Total other accrued expenses	<u>\$ 336,069</u>	<u>\$ 322,372</u>

WEST MICHIGAN AVIATION ACADEMY

NOTES TO FINANCIAL STATEMENTS- Continued
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 9 - LONG-TERM OBLIGATIONS PAYABLE

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

Loan Information

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Other</u>
Capital improvement loan	3.61%	April, 2030	Collateralized by improvements and all equipment; Synthetic interest rate of 3.61% achieved by combining margin of 1.45% with interest rate swap agreement of 2.16%.
Direct borrowing	4.50%	November, 2025	Leased copiers and building with varying expirations through November 2025 with 4.50% interest rate.

Loan Activity

	<u>As Restated Balance July 1, 2021</u>	<u>Additions</u>	<u>Retirements and Payments</u>	<u>Balance June 30, 2022</u>	<u>Due Within One Year</u>
Capital improvement loan	\$ 6,928,287	\$ -	\$ 384,558	\$ 6,543,729	\$ 400,278
Direct borrowing	340,939	-	76,759	264,180	85,382
loan	<u>\$ 7,269,226</u>	<u>\$ -</u>	<u>\$ 461,317</u>	<u>\$ 6,807,909</u>	<u>\$ 485,660</u>

Following are maturities of long-term obligations for principal and interest for the next five years and in total:

	<u>Principal</u>	<u>Interest</u>
2023	\$ 485,660	\$ 238,596
2024	495,793	219,988
2025	504,453	201,380
2026	488,784	182,521
2027	476,193	165,225
2028 - 2030	<u>4,357,026</u>	<u>361,958</u>
	<u>\$ 6,807,909</u>	<u>\$ 1,369,668</u>

WEST MICHIGAN AVIATION ACADEMY

NOTES TO FINANCIAL STATEMENTS- Continued
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 10 – INTEREST RATE SWAP AGREEMENT

Objective

As a means to protect itself against rising interest rates related to its variable rate demand bonds issued in February 2015, the Academy has entered into an interest rate swap agreement (swap) with PNC Bank, National Association. The intention of the swap is effectively to change the Academy's variable rate of the bonds to a synthetic rate of 3.61%.

Terms

The swap was entered into in February 2015 and amended and restated in 2020. The notional value of the swap and the principal amount of the bonds decline at a similar but not exact amount each year through the maturity of the swap in April 2030. The notional value was \$6,543,729 as of June 30, 2022. Under the swap, the Academy pays the counterparty a fixed payment of 3.61% and receives a variable-rate payment computed based on the USD-LIBOR-BBA-Bloomberg. Conversely, the bond's variable-rate coupons adjust on a monthly basis.

Fair Value

As of June 30, 2022, the swaps fair value was \$234,486. The fair value is based on a replacement trade that would match the maturities and notional amounts of the existing swap which is primarily based on the estimated present value of future cash flows. As of June 30, 2022, the swap is considered an effective cash flow hedge, using the synthetic instrument method, under the provisions of GASBS No. 53, *Accounting and Financial Reporting for Derivative Instruments*. As a result, the statement of net position discloses the negative fair value as a "deferred inflow - interest rate swap" with an offsetting "deferred outflow - interest rate swap." No amounts are recognized on the statement of activities for changes in the fair value.

Credit Risk

As of June 30, 2022, the Academy was exposed to credit risk in the amount of the derivative's fair value. The swap counterparty was rated A2 by Moody's Investors Service (Moody's), A by Standard and Poor's (S&P) and A+ by Fitch Ratings (Fitch) as of the date of the financial statements. There is no collateralization of the swap from the counterparty to mitigate the credit risk of the Academy.

Termination Risk

The Academy may terminate the swap under provisions of the swap agreement. If the swap is terminated, the variable-rate bonds would no longer carry a synthetic interest rate. Also, if at the time of the termination the swap has a negative fair value, the Academy would be liable to the counterparty for a payment that would approximate the swap's negative fair value.

WEST MICHIGAN AVIATION ACADEMY

NOTES TO FINANCIAL STATEMENTS- Continued
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 11 – INTERFUND TRANSFERS

During the normal course of the school year the Academy transferred amounts between its funds as follows:

	<u>General</u>	<u>Special Revenue - School Foundation</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Transfer In	\$ -	\$ 9,559	\$ 631,770	\$ 50,000
Transfer Out	691,329	-	-	-

NOTE 12 – DEFINED BENEFIT PENSION PLAN

Plan Description

The Michigan Public School Employees' Retirement System (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, re-codified 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 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 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.

WEST MICHIGAN AVIATION ACADEMY

NOTES TO FINANCIAL STATEMENTS- Continued
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 12 – DEFINED BENEFIT PENSION PLAN - Continued

A DB member or Pension Plus plan member who leaves Michigan public school employment may request a refund of his or her member contributions to the retirement system account. 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 and Funded Status

The majority of the members currently participate on a contributory basis, as described above under "Benefits Provided." The Academies 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. For retirement and OPEB benefits, the unfunded (overfunded) actuarial accrued liability as of the September 30, 2020 valuation will be amortized over a 18 year period beginning October 1, 2020 and ending September 30, 2038.

The schedule below summarizes pension contribution rates in effect for fiscal year ended September 30, 2021.

<u>Benefit Structure</u>	<u>Member</u>	<u>Employer</u>
Basic	0.0 - 4.0 %	19.78 %
Member Investment Plan	3.0 - 7.0	19.78
Pension Plus	3.0 - 6.4	16.82
Pension Plus 2	6.2	19.59
Defined Contribution	0.0	13.39

Required contributions to the pension plan from the Academy were \$5,216 for the year ended September 30, 2021.

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

At June 30, 2022, The Academy reported a liability of \$41,127 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2020. The Academy's proportionate share of the net pension liability was determined by dividing each academy's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable academies during the measurement period. At September 30, 2021, the Academy's proportion was .00017371%, which was an decrease of .000014 percent from its proportion measured as of September 30, 2021.

WEST MICHIGAN AVIATION ACADEMY

NOTES TO FINANCIAL STATEMENTS- Continued
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 12 – DEFINED BENEFIT PENSION PLAN - Continued

For the year ended June 30, 2022, the Academy recognized total pension expense of \$10,206. At June 30, 2022, the Academy reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 637	\$ 242
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	2,592	13,222
Changes in proportion and differences between Academy contributions and proportionate share of contributions	2,862	6,853
Academy contributions subsequent to the measurement date*	<u>4,426</u>	<u>-</u>
Total	<u><u>\$ 10,517</u></u>	<u><u>\$ 20,317</u></u>

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 ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Deferred (Inflows) and Deferred Outflows of Resources by Year (To Be Recognized in Future Pension Expenses)

<u>Year Ended June 30,</u>	<u>Amount</u>
2022	\$ (868)
2023	(4,482)
2024	(4,867)
2025	(4,009)

WEST MICHIGAN AVIATION ACADEMY

NOTES TO FINANCIAL STATEMENTS- Continued
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 12 – DEFINED BENEFIT PENSION PLAN - Continued

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, 2020
Actuarial Cost Method	Entry Age, Normal
Wage Inflation Rate	2.75 %
Investment Rate of Return	
MIP and Basic Plans (Non-Hybrid)	6.80 %
Pension Plus Plan (Hybrid)	6.80 %
	6.00 %
Projected Salary Increases (including wage inflation at 2.75%)	2.75 - 11.55 %
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: P-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection sale MP-2017 from 2006.

WEST MICHIGAN AVIATION ACADEMY

NOTES TO FINANCIAL STATEMENTS- Continued
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 12 – DEFINED BENEFIT PENSION PLAN - Continued

Notes

Assumption changes as a result of an experience study for the periods 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2018 valuation. The total pension liability as of September 30, 2021, is based on the results of an actuarial valuation date of September 30, 2020, 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: 4.4367

Recognition period for assets in years: 5.0000

Full actuarial assumptions are available in the 2021 MPSERS Comprehensive Annual Financial Report found in the OS 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, 2021, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Domestic Equity Pools	25.0 %	5.4 %
Private Equity Pools	16.0	9.1
International Equity	15.0	7.5
Fixed Income Pools	10.5	-0.7
Real Estate and Infrastructure Pools	10.0	5.4
Absolute Return Pools	9.0	2.6
Real Return / Opportunistic Pools	12.5	6.1
Short Term Investment Pools	2.0	-1.3
Total	100.0 %	

*Long term rate of return does not include 2.3% inflation

WEST MICHIGAN AVIATION ACADEMY

NOTES TO FINANCIAL STATEMENTS- Continued
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 12 – DEFINED BENEFIT PENSION PLAN – Continued

Rate of Return

For the fiscal year ended September 30, 2021, the annual money-weighted rate of return on the pension plan investment, net of pension plan investment expense, was 27.3%. 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 plan, 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 6.8% (6.8% 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
5.8%/5.8%/5.0	6.8%/6.8%/6.0%	7.8%/7.8%/7.0%
\$ 58,800	\$ 41,127	\$ 26,474

Michigan Public Schools 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 at www.michigan.gov/mpsers-cafr.

WEST MICHIGAN AVIATION ACADEMY

NOTES TO FINANCIAL STATEMENTS- Continued
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 13 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description

The Michigan Public School Employees' Retirement System (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, re-codified 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, and 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 the 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 the statute. To limit future liabilities of Other Postemployment Benefits, members who first worked on or after July 1, 20018 (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.

WEST MICHIGAN AVIATION ACADEMY

NOTES TO FINANCIAL STATEMENTS- Continued
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 13 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) - Continued

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

Academies 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, 2019 valuation will be amortized over an 18-year period beginning October 1, 2020 and ending September 30, 2038.

The schedule below summarizes OPEB contribution rates in effect for fiscal year ended September 30, 2021.

Benefit Structure	Member	Employer
Premium Subsidy	3.00 %	8.43 %
Personal Healthcare Fund (PHF)	0.00	7.57

Required contributions to the OPEB plan from the Academy were \$1,191 for the year ended September 30, 2021.

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

At June 30, 2022, The Academy reported a liability of \$2,449 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 30, 2020. The Academy's proportionate share of the net OPEB liability was determined by dividing each Academy's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable Academies during the measurement period. At September 30, 2021, the Academy's proportion was .000016043 percent, which was a decrease of .0067 percent from its proportion measured as of October 1, 2020.

WEST MICHIGAN AVIATION ACADEMY

NOTES TO FINANCIAL STATEMENTS- Continued
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 13 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)- Continued

For the year ended June 30, 2022, the Academy recognized total OPEB expense of \$(765). At June 30, 2021, the Academy reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 6,990
Changes of assumptions	2,047	306
Net difference between projected and actual earnings on OPEB plan investments	-	1,846
Changes in proportion and differences between Academy contributions and proportionate share of contributions	4,826	7,210
Academy contributions subsequent to the measurement	<u>741</u>	<u>-</u>
Total	<u><u>\$ 7,614</u></u>	<u><u>\$ 16,352</u></u>

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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2022	\$ (1,234)
2023	(1,953)
2024	(2,823)
2025	(1,965)
2026	(1,328)
Thereafter	(176)

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.

WEST MICHIGAN AVIATION ACADEMY

NOTES TO FINANCIAL STATEMENTS- Continued
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 13 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)- Continued

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Valuation Date	September 30, 2020
Actuarial Cost Method	Entry Age, Normal
Wage Inflation Rate	2.75 %
Investment Rate of Return	6.95 %
Projected Salary Increases (including wage inflation at 2.75%):	2.75 - 11.55 %
Healthcare Cost Trend Rate	
	Post-65: 7.75% Year 1 graded to 3.5% Year 15; 3.0% Year 120
	Pre-65: 7.75% Year 1 graded to 3.5% Year 15; 3.0% Year 120

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

Other Assumptions

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

Notes

Assumption changes as a result of an experience study for the periods 2012 through 2017 have been adopted by the System for use in the annual OPEB valuations beginning with the September 30, 2018 valuation. The total OPEB liability as of September 30, 2021, is based on the results of an actuarial valuation date of September 30, 2020, 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: 6.132.

WEST MICHIGAN AVIATION ACADEMY

NOTES TO FINANCIAL STATEMENTS- Continued
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 13 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)– Continued

Recognition period for assets in years is 5.0000.

Full actuarial assumptions are available in the 2021 MPSERS Comprehensive Annual Financial Report found in the OS 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, 2021, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Domestic Equity Pools	25.0 %	5.4 %
Private Equity Pools	16.0	9.1
International Equity	15.0	7.5
Fixed Income Pools	10.5	-0.7
Real Estate and Infrastructure Pools	10.0	5.4
Absolute Return Pools	9.0	2.6
Real Return / Opportunistic Pools	12.5	6.1
Short Term Investment Pools	2.0	-1.3
Total	100.0 %	

*Long term rate of return does not include 2.3% inflation

Rate of Return

For the fiscal year ended September 30, 2021, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 27.14%. 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 6.95% 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.

WEST MICHIGAN AVIATION ACADEMY

NOTES TO FINANCIAL STATEMENTS- Continued
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 13 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)- Continued

Sensitivity of the Academy’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the Academy’s proportionate share of the net OPEB liability calculated using a 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 point higher:

<u>1% Decrease</u>	<u>Current Single Discount</u>	<u>1% Increase</u>
<u>5.95%</u>	<u>Rate</u>	<u>7.95%</u>
<u>6.95%</u>	<u>6.95%</u>	<u>7.95%</u>
\$ 4,550	\$ 2,449	\$ 665

Sensitivity of the Academy’s Proportionate Share of the OPEB liability to Healthcare Cost Trend Rate

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

<u>1% Decrease</u>	<u>Current Single Discount</u>	<u>1% Increase</u>
<u>Rate</u>	<u>Rate</u>	<u>Rate</u>
<u>5.95%</u>	<u>6.95%</u>	<u>7.95%</u>
\$ 596	\$ 2,449	\$ 4,533

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued 2020 MPSERS CAFR, available on the ORS website at www.michigan.com/orsschools.

NOTE 14 - RISK MANAGEMENT

The Academy is exposed to various risks of loss related to property loss, torts, errors and omissions. The Academy has purchased commercial insurance for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage since inception.

WEST MICHIGAN AVIATION ACADEMY

NOTES TO FINANCIAL STATEMENTS- Continued
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 15 – CHANGE IN ACCOUNTING PRINCIPLE

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

Summary

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

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

	<u>Capital Assets</u>	<u>Long Term Obligations</u>
Balances as of July 1, 2021, as previously stated	\$ 6,704,891	\$ 6,928,287
Adoption of GASB Statement 87	<u>340,939</u>	<u>340,939</u>
Balances as of July 1, 2021, as restated	<u>\$ 7,045,830</u>	<u>\$ 7,269,226</u>

SUPPLEMENTARY INFORMATION

WEST MICHIGAN AVIATION ACADEMY

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2022

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues				
Local sources	\$ 983,500	\$ 5,868,000	\$ 5,877,618	\$ 9,618
Non-educational sources	-	1,000,000	1,000,000	-
State sources	5,130,477	5,547,943	5,621,956	74,013
Federal sources	137,649	753,432	296,349	(457,083)
Interdistrict sources	130,429	76,211	77,796	1,585
Total general fund revenues	6,382,055	13,245,586	12,873,719	(371,867)
Expenditures				
Instruction				
Basic programs	2,491,131	2,414,503	2,322,479	(92,024)
Added needs	899,418	1,011,665	957,886	(53,779)
Support services				
Pupil support services	312,647	347,655	322,354	(25,301)
Instructional staff support services	70,378	166,463	123,075	(43,388)
General administration	402,250	426,112	430,560	4,448
School administration	838,034	807,933	799,572	(8,361)
Business support services	36,364	36,364	18,693	(17,671)
Operations and maintenance	599,557	685,337	645,211	(40,126)
Pupil transportation services	32,000	32,000	10,227	(21,773)
Central support services	135,320	162,097	156,001	(6,096)
Athletic activities	70,958	94,958	105,063	10,105
Community services	147,730	31,102	-	(31,102)
Capital outlay	30,000	6,579,502	6,477,110	(102,392)
Debt principal and interest	-	93,136	93,113	(23)
Total general fund expenditures	6,065,787	12,888,827	12,461,344	(427,483)
Excess (deficiency) of revenues over expenditures	316,268	356,759	412,375	55,616
Other Financing Sources (Uses)				
Proceeds from long-term debt	-	340,000	340,000	-
Operating transfers out	(660,000)	(695,100)	(691,329)	3,771
Total other financing sources (uses)	(660,000)	(355,100)	(351,329)	3,771
Excess (deficiency) of revenues and and other financing sources over expenditures and other uses	(343,732)	1,659	61,046	59,387
Fund balance - July 1, 2021	1,309,056	1,309,056	1,309,056	-
Fund balance - June 30, 2022	\$ 965,324	\$ 1,310,715	\$ 1,370,102	\$ 59,387

WEST MICHIGAN AVIATION ACADEMY

COMBINING BALANCE SHEET – NON-MAJOR FUNDS
JUNE 30, 2022

ASSETS

	<u>Special Revenue</u>				<u>Total</u>
	<u>Food Service</u>	<u>School Foundation</u>	<u>Student Activities</u>	<u>Capital Projects</u>	
Cash and cash equivalents	\$ -	\$ 14,343	6,358	\$ 25,860	\$ 46,561
Due from other funds	542	-	3,562	207,964	212,068
Total assets	<u>\$ 542</u>	<u>\$ 14,343</u>	<u>\$ 9,920</u>	<u>\$ 233,824</u>	<u>\$ 258,629</u>

LIABILITIES AND FUND BALANCE

Liabilities					
Due to other funds	\$ -	\$ 14,343	\$ -	\$ -	\$ 14,343
Fund Balance					
Restricted	542	-	9,920	233,824	244,286
Total liabilities and fund balance	<u>\$ 542</u>	<u>\$ 14,343</u>	<u>\$ 9,920</u>	<u>\$ 233,824</u>	<u>\$ 258,629</u>

WEST MICHIGAN AVIATION ACADEMY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – NON-MAJOR FUNDS FOR THE YEAR ENDED JUNE 30, 2022

	<u>Special Revenue</u>					<u>Total</u>
	<u>Food Service</u>	<u>School Foundation</u>	<u>Student Activities</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Revenues						
Local sources	\$ -	\$ 301,520	\$ 63,103	\$ -	\$ -	\$ 364,623
Expenditures						
Support services						
Other student activities	-	-	69,555			69,555
Other support services	-	50	-	-	-	50
Capital outlay	-	311,029	-	-	97,187	408,216
Debt principal and interest	-	-	-	631,770	-	631,770
Total governmental fund expenditures	-	311,079	69,555	631,770	97,187	1,109,591
Excess (deficiency) of revenues over expenditures	-	(9,559)	(6,452)	(631,770)	(97,187)	(744,968)
Other Financing Sources (Uses)						
Operating transfers in	-	9,559	-	631,770	50,000	691,329
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	-	-	(6,452)	-	(47,187)	(53,639)
Fund balance - July 1, 2021	542	-	16,372	-	281,011	297,925
Fund balance - June 30, 2022	<u>\$ 542</u>	<u>\$ -</u>	<u>\$ 9,920</u>	<u>\$ -</u>	<u>\$ 233,824</u>	<u>\$ 244,286</u>

WEST MICHIGAN AVIATION ACADEMY

REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF WEST MICHIGAN AVIATION ACADEMY'S PROPORTIONATE SHARE OF THE NET PENSION
 LIABILITY MICHIGAN PUBLIC SCHOOL EMPLOYEE'S RETIREMENT SYSTEM
 DETERMINED AS OF THE PLAN YEAR ENDED SEPTEMBER 30, 2021

**Schedule of Academy's Proportionate Share of the Net Pension Liability
 Determined As of 9/30 of Each Fiscal Year**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Academy's proportion of net pension liability (%)	0.000174%	0.000188%	0.000209%	0.000202%	0.000122%
Academy's proportionate share of net pension liability	\$ 41,127	\$ 64,577	\$ 69,283	60,851	\$ 31,494
Academy's covered-employee payroll	\$ 15,733	\$ 21,184	\$ 22,128	19,634	\$ 18,668
Academy's proportionate share of net pension liability as a percentage of its covered- employee payroll	261%	305%	313%	310%	169%
Plan fiduciary net position as a percentage of total pension liability	72.60%	59.72%	60.31%	62.36%	64.21%

WEST MICHIGAN AVIATION ACADEMY

REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF WEST MICHIGAN AVIATION ACADEMY'S CONTRIBUTIONS
 MICHIGAN PUBLIC SCHOOL EMPLOYEE'S RETIREMENT SYSTEM
 DETERMINED AS OF THE YEAR ENDED JUNE 30, 2022

**Schedule of the Academy's Contributions
 Determined as of 6/30 of Each Fiscal Year**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contributions	\$ 2,200	\$ 6,300	\$ 5,558	\$ 5,512	\$ 4,421
Contributions in relation to statutorily required contributions	<u>\$ 4,781</u>	<u>\$ 6,300</u>	<u>\$ 5,558</u>	<u>\$ 5,512</u>	<u>\$ 4,421</u>
Contribution deficiency/(excess)	\$ (2,581)	\$ -	\$ -	\$ -	\$ -
Academy's covered-employee payroll	\$ 10,957	\$ 16,176	\$ 22,128	\$ 17,440	\$ 23,330
Contributions as a percentage of covered-employee payroll	20.08%	38.95%	25.12%	31.61%	18.95%

WEST MICHIGAN AVIATION ACADEMY

REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF WEST MICHIGAN AVIATION ACADEMY'S PROPORTIONATE SHARE OF THE NET OPEB
 LIABILITY MICHIGAN PUBLIC SCHOOL EMPLOYEE'S RETIREMENT SYSTEM
 DETERMINED AS OF THE PLAN YEAR ENDED SEPTEMBER 30, 2021

**Schedule of Academy's Proportionate Share of the Net OPEB Liability
 Determined As of 9/30 of Each Fiscal Year**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Academy's proportion of net OPEB liability (%)	0.00016043%	0.00022697%	0.00020383%	0.00027152%	0.01364300%
Academy's proportionate share of net OPEB liability	\$ 2,449	\$ 12,159	\$ 14,630	\$ 21,853	\$ 12,082
Academy's covered-employee payroll	\$ 15,733	\$ 21,184	\$ 22,128	\$ 19,634	\$ 18,668
Academy's proportionate share of net OPEB liability as a percentage of its covered- employee payroll	15.57%	57.40%	66.12%	111.30%	64.72%
Plan fiduciary net position as a percentage of total OPEB liability	87.33%	48.46%	42.95%	36.39%	36.39%

WEST MICHIGAN AVIATION ACADEMY

REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF WEST MICHIGAN AVIATION ACADEMY'S CONTRIBUTIONS
 MICHIGAN PUBLIC SCHOOL EMPLOYEE'S RETIREMENT SYSTEM
 DETERMINED AS OF THE YEAR ENDED JUNE 30, 2022

**Schedule of the Academy's Contributions
 Determined as of 6/30 of Each Fiscal Year**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required OPEB contributions	\$ 893	\$ 1,224	\$ 1,400	\$ 1,762	\$ 1,789
OPEB Contributions in relation to statutorily required contributions	<u>\$ 893</u>	<u>\$ 1,224</u>	<u>\$ 1,400</u>	<u>\$ 1,762</u>	<u>\$ 1,789</u>
Contribution deficiency/(excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Academy's covered-employee payroll	\$ 10,957	\$ 16,176	\$ 22,128	\$ 17,440	\$ 23,330
OPEB Contributions as a percentage of covered-employee payroll	8.15%	7.57%	6.33%	10.10%	7.67%

WEST MICHIGAN AVIATION ACADEMY

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES FOR THE YEAR ENDED JUNE 30, 2022

Defined Benefit Pension Plan

Benefit Changes - See Note 12 to the financial statements for discussion of benefit terms and assumptions.

Changes in Assumptions - See Note 12 to the financial statements for discussion of benefit terms and assumptions.

Postemployment Benefits Other Than Pensions (OPEB)

Benefit Changes - See Note 13 to the financial statements for discussion of benefit terms and assumptions.

Changes in Assumptions - See Note 13 to the financial statements for discussion of benefit terms and assumptions.

WEST MICHIGAN AVIATION ACADEMY

SCHEDULE OF REVENUES – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2022

Local Sources

Student activities	\$ 80,320
Lease revenue	145,000
Other local revenues	<u>5,652,298</u>
Total local sources	5,877,618

Non-Educational Sources

Michigan Economic Development grant	1,000,000
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State Sources

At risk	110,120
Special education	57,521
State aid	5,340,632
Vocational education	<u>113,683</u>
Total state sources	5,621,956

Federal Sources

IDEA	56,069
Title I	83,475
Title II A	6,933
Title III	2,800
Other program revenue	<u>147,072</u>
Total federal sources	296,349

Interdistrict Sources

	<u>77,796</u>
Total general fund revenues	<u>\$ 12,873,719</u>

WEST MICHIGAN AVIATION ACADEMY

SCHEDULE OF EXPENDITURES – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2022

Basic Programs

Purchased services	\$ 2,136,389
Rentals	8,881
Supplies and materials	176,400
Other expenditures	809
	<hr/>
Total basic programs	2,322,479

Added Needs

Purchased services	738,971
Supplies and materials	218,915
	<hr/>
Total added needs	957,886

Pupil Support Services

Guidance services	123,813
Psychological services	16,616
Speech pathology and audiology	26,410
Social work services	111,190
Other pupil services	44,325
	<hr/>
Total pupil support services	322,354

Instructional Staff Support Services

Purchased services	108,274
Supplies and materials	14,801
	<hr/>
Total instructional staff support services	123,075

General Administration

Purchased services	13,756
Management fees	183,230
University oversight	169,043
Other expenditures	64,531
	<hr/>
Total general administration	430,560

School Administration

Purchased services	757,880
Supplies and materials	40,686
Other expenditures	1,006
	<hr/>
Total school administration	799,572

WEST MICHIGAN AVIATION ACADEMY

SCHEDULE OF EXPENDITURES – GENERAL FUND - CONTINUED FOR THE YEAR ENDED JUNE 30, 2022

Business Support Services

Purchased services	7,871
Other expenditures	10,822
	<hr/>
Total business support services	18,693

Operations and Maintenance

Purchased services	286,081
Repairs and maintenance	151,958
Rentals	17,726
Supplies and materials	189,446
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Total operations and maintenance	645,211

Pupil Transportation Services

Rentals	10,227
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Central Support Services

Purchased services	83,100
Repairs and maintenance	33,577
Supplies and materials	35,078
Non-depreciable capital assets	4,246
	<hr/>
Total central support services	156,001

Athletic Activities

Purchased services	28,473
Supplies and materials	35,075
Other expenditures	41,515
	<hr/>
Total athletic activities	105,063

Capital Outlay

6,477,110

Debt Principal and Interest

93,113

Total general fund expenditures	<hr/> <hr/> <u>\$ 12,461,344</u>
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