

**BLUE WATER MIDDLE  
COLLEGE ACADEMY  
Marysville, Michigan**

**ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED  
JUNE 30, 2022**

**BLUE WATER MIDDLE COLLEGE ACADEMY**  
**Marysville, Michigan**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
Blue Water Middle College Academy  
Marysville, Michigan

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the accompanying financial statements of the governmental activities and the General Fund of the Blue Water Middle College Academy (the "Academy") as of and for the year ended June 30, 2022 and the related notes to the financial statements, which collectively comprise the 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 financial position of the governmental activities and the General Fund of the Blue Water Middle College Academy as of June 30, 2022, the respective changes in financial position, and the budgetary comparison information for the General Fund 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 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.

#### *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 misstatements, 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 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 judgement 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 judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatements 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 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 judgement, there are conditions or events considered in the aggregate that raise substantial doubt about the 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.

### *Report on Summarized Comparative Information*

We have previously audited the Academy's June 30, 2021 financial statements, and we expressed unmodified opinions on those financial statements in our report dated October 13, 2021. In our opinion, the summarized comparative information presented herein for the year ended June 30, 2021 is consistent, in all material respects, with the audited financial statements for which it has been derived.

***Required Supplementary Information***

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

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2022 on our consideration of the 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 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 Blue Water Middle College Academy's internal control over financial reporting and compliance.

*UHY LLP*

Port Huron, Michigan  
October 18, 2022

# **BLUE WATER MIDDLE COLLEGE ACADEMY**

## **Management's Discussion and Analysis**

This section of the Blue Water Middle College Academy's (the "Academy") annual financial report presents our discussion and analysis of the Academy's performance during the year ended June 30, 2022. Please read in conjunction with the Academy's financial statements, which immediately follow this section.

### **Using This Annual Report**

The Academy's financial statements are presented as a "special purpose unit" since it is engaged to provide a single program, namely an educational opportunity to students within St. Clair County grades 9-13, to access college experience and obtain an additional year of transition into educational preparation. As a result, the fund financial statements and the district-wide financial statements are combined by using a columnar format that reconciles individual line items of the fund financial data to the district-wide data in a separate column. These statements are organized so the reader can understand the Academy financially as a whole. These statements are comprised of four components: (1) district-wide financial statements, (2) fund financial statements, (3) notes to the financial statements, and (4) required supplementary information.

### **Reporting the Academy as a Whole – District-wide Financial Statements**

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

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

### **Reporting the Academy's General Fund Financial Statements**

Unlike the district-wide financial statements, the General Fund financial statements focus on near-term inflows and outflows of spendable resources, as well as the amount of spendable resources available at the end of the year. Such information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and the fund statements in reconciliations presented in the notes to the financial statements.

### **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and general and fiduciary fund financial statements.

## Required Supplementary Information

Presents required supplementary information concerning the Academy's progress in funding its obligations to provide pension benefits and other postemployment benefits to its employees and budgetary information for the General Fund.

## FINANCIAL HIGHLIGHTS

### The Academy as a Whole

Recall that the statement of net position provides the perspective of the Academy as a whole. Table I provides a comparison of the statement of net position as of June 30 in a condensed format.

Table I

|                                | <u>2022</u>       | <u>2021</u>       |
|--------------------------------|-------------------|-------------------|
| Assets:                        |                   |                   |
| Current and other assets       | \$ 1,556,296      | \$ 1,814,341      |
| Capital assets                 | <u>15,073</u>     | <u>21,959</u>     |
| Total Assets                   | <u>1,571,369</u>  | <u>1,836,300</u>  |
| Deferred Outflows of Resources | <u>286,864</u>    | <u>439,045</u>    |
| Liabilities:                   |                   |                   |
| Current liabilities            | 25,293            | 276,505           |
| Non-current liabilities -      |                   |                   |
| Net pension liability          | 940,958           | 1,409,264         |
| Net OPEB liability             | <u>57,409</u>     | <u>213,013</u>    |
| Total Liabilities              | <u>1,023,660</u>  | <u>1,898,782</u>  |
| Deferred Inflows of Resources  | <u>628,577</u>    | <u>216,917</u>    |
| Net Position (Deficit):        |                   |                   |
| Investment in capital assets   | 15,073            | 21,959            |
| Unrestricted                   | <u>190,923</u>    | <u>137,687</u>    |
| Total Net Position             | <u>\$ 205,996</u> | <u>\$ 159,646</u> |

The above analysis focuses on the net position. The change in net position (see Table II) of the Academy's governmental activities is discussed on page 6. The Academy's net position was \$205,996 at June 30, 2022, which represents the accumulated results of all past years of operation. Investment in capital assets of \$15,073 represents the original cost of assets less accumulated depreciation, with the remaining \$190,923 unrestricted.

The results of operations for the Academy are reported in the statement of activities (see condensed format in Table II), which shows the change in net position for the years ended June 30:

**Table II**

|  | <u>2022</u>      | <u>2021</u>       |
|--|------------------|-------------------|
| Revenues:                                    |                  |                   |
| Local sources                                | \$ 5,034         | \$ 4,786          |
| State sources                                | 3,152,812        | 3,480,332         |
| Federal sources                              | 30,499           | 165,672           |
| Interdistrict sources                        | <u>10,000</u>    | <u>210,000</u>    |
| Total Revenues                               | <u>3,198,345</u> | <u>3,860,790</u>  |
| Expenditures:                                |                  |                   |
| Instructional services                       | 2,616,872        | 2,704,978         |
| Supporting services                          | 517,057          | 758,361           |
| Depreciation expense/Loss disposal of assets | <u>18,066</u>    | <u>34,652</u>     |
| Total Expenses                               | <u>3,151,995</u> | <u>3,497,991</u>  |
| Change in Net Position                       | <u>\$ 46,350</u> | <u>\$ 362,799</u> |

The Academy experienced an increase in net position of \$46,350 for the year ended June 30, 2022. The increase in net position differs from the change in fund balance. A reconciliation between the two appear on page 15. Most of this increase can be attributable to a decrease in pension and OPEB related liabilities.

### **The Academy's General Fund**

As noted earlier, the focus of the General Fund financial statements is to provide information on the near-term inflows, outflows, and balances of spendable resources. Such information helps the reader consider whether the Academy is being accountable for the resources it has been provided, which may provide more insight into the Academy's overall financial health.

As the Academy completed this year, the Academy reported an ending fund balance of \$1,531,003, a decrease of \$6,833 over 2021, which is approximately 0.2% of annual expenditures.

Of the fund balance, \$431,586 was assigned to next year's budget, and the remaining \$1,099,417 was unassigned.

### **BUDGETARY HIGHLIGHTS**

Over the course of the year, the Academy revises its budget as it attempts to deal with the changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the Academy's original and final budget amounts compared with amounts actually paid and received is provided in the basic financial statements.

Significant changes to the original budget were as follows:

- The final amended budgeted revenues were higher than the original budget by \$197,172. A significant portion of the difference comes from At-Risk funds of \$125,915 from current year and prior year carryforward. The Academy also increased the foundation allowance by \$42,936 due to a per pupil increase of \$589. The Academy also amended the budget for federal ESSER funds of \$18,354 received.
- The final budget expenditures were lower than the original budget by \$64,897, which is less than 2% of actual expenditures.

There were no significant differences between the final budget and actual.



## **CAPITAL ASSETS**

At June 30, 2022, the Academy has \$15,073 invested in capital assets for its governmental activities (net of accumulated depreciation), representing a decrease of \$6,886 over the prior year. During the year, the Academy purchased \$11,180 of student computers and recognized depreciation of \$18,066.

Additional information on the Academy's capital assets can be found in Note 5 to the financial statements.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

In May 2022, the State financial outlook was in better shape than expected. It was anticipated that the per pupil funding would have a slight increase. At the time of the 2022-23 budget process, the Governor proposed an increase in pupil funding of \$435 per pupil, \$8,700 to \$9,135. The projected per pupil funding of \$9,135 was used to determine the projection of State revenue for 2022-23.

The projected student count shows a decline for 2022-23. The count anticipates approximately 355 students. The State will use the traditional 90/10 blend. The proposed budget is based on a State Aid membership of 281.30.

Since the start of the school year, the revenue picture has improved. The anticipated per pupil is expected to be higher than the \$9,135 used in the proposed budget. The expected 2022-23 per pupil funding amount is \$9,150. There are also federal funds of \$81,484 in ARP-ESSER III allocated to the Academy. The allocation was determined after the original budget was approved; therefore, these funds were not included in the original budget projection. For the Academy to receive these funds, there are a few more requirements other than the ESSER funding received in 2020-21. Management will be working to determine what expenditures are reasonable and allowable to receive this funding. The grant timeline runs through September 30, 2023.

At the time of the 2022-23 proposed budget, the anticipated fund balance projected was \$1,065,180 or 34.34%. The budget will be reviewed frequently and amendments prepared as necessary.

## **CONTACTING THE ACADEMY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the Academy's citizens, taxpayers, customers, and investors with a general overview of the Academy's finances and to demonstrate the Academy's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Department, P.O. Box 1500, Marysville, MI 48040.

## **BASIC FINANCIAL STATEMENTS**

**BLUE WATER MIDDLE COLLEGE ACADEMY**  
**BALANCE SHEET/STATEMENT OF NET POSITION**  
**JUNE 30, 2022**

|  | General<br>Fund | Adjustments<br>Note 2 | Governmental<br>Activities |
|--|-----------------|-----------------------|----------------------------|
| <b>Assets:</b>   |                 |                       |                            |
| Cash and cash equivalents  | \$ 976,120      | \$ -                  | \$ 976,120                 |
| Due from other governmental units                                    | 580,176         | -                     | 580,176                    |
| Capital assets (net of accumulated depreciation) -                   |                 |                       |                            |
| Assets being depreciated   | -               | 15,073                | 15,073                     |
| Total Assets   | 1,556,296       | 15,073                | 1,571,369                  |
| <b>Deferred Outflows of Resources:</b>                               |                 |                       |                            |
| Related to pension plan  | -               | 209,971               | 209,971                    |
| Related to OPEB plan   | -               | 76,893                | 76,893                     |
| Total Deferred Outflows of Resources                                 | -               | 286,864               | 286,864                    |
| Total Assets and Deferred Outflows of Resources                      | \$ 1,556,296    |                       |                            |
| <b>Liabilities:</b>  |                 |                       |                            |
| Accounts payable   | \$ 183          | -                     | 183                        |
| Accrued payroll and fringes  | 10,854          | -                     | 10,854                     |
| Due to other governmental units                                      | 1,318           | -                     | 1,318                      |
| Unearned revenue   | 12,938          | -                     | 12,938                     |
| Non-current liabilities -  |                 |                       |                            |
| Net pension liability  | -               | 940,958               | 940,958                    |
| Net OPEB liability   | -               | 57,409                | 57,409                     |
| Total Liabilities  | 25,293          | 998,367               | 1,023,660                  |
| <b>Deferred Inflows of Resources:</b>                                |                 |                       |                            |
| Related to pension plan  | -               | 398,443               | 398,443                    |
| Related to OPEB plan   | -               | 230,134               | 230,134                    |
| Total Deferred Inflows of Resources                                  | -               | 628,577               | 628,577                    |
| <b>Fund Balance:</b>   |                 |                       |                            |
| Assigned - 2022/23 Operations  | 431,586         | ( 431,586)            | -                          |
| Unassigned -   | 1,099,417       | ( 1,099,417)          | -                          |
| Total Fund Balance   | 1,531,003       | ( 1,531,003)          | -                          |
| Total Liabilities, Deferred Inflows of Resources<br>and Fund Balance | \$ 1,556,296    |                       |                            |
| <b>Net Position:</b>   |                 |                       |                            |
| Investment in capital assets   |                 | 15,073                | 15,073                     |
| Unrestricted   |                 | 190,923               | 190,923                    |
| Total Net Position   |                 | \$ 205,996            | \$ 205,996                 |

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

**BLUE WATER MIDDLE COLLEGE ACADEMY**

**STATEMENT OF GENERAL FUND REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE/STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2022**

|  | General<br>Fund | Adjustments<br>Note 2 | Governmental<br>Activities |
|--|-----------------|-----------------------|----------------------------|
| <b>Revenues:</b>                               |                 |                       |                            |
| Local sources                                  | \$ 5,034        | \$ -                  | \$ 5,034                   |
| State sources                                  | 3,160,734       | ( 7,922)              | 3,152,812                  |
| Federal sources                                | 30,499          | -                     | 30,499                     |
| Interdistrict sources                          | 10,000          |                       | 10,000                     |
| Total Revenues                                 | 3,206,267       | ( 7,922)              | 3,198,345                  |
| <b>Expenditures/Expenses:</b>                  |                 |                       |                            |
| Instruction                                    | 2,643,235       | ( 26,363)             | 2,616,872                  |
| Support services                               | 569,865         | ( 52,808)             | 517,057                    |
| Depreciation expense                           | -               | 18,066                | 18,066                     |
| Total Expenditures/Expenses                    | 3,213,100       | ( 61,105)             | 3,151,995                  |
| Net Change in Fund Balance/Net Position        | ( 6,833)        | 53,183                | 46,350                     |
| Fund Balance/Net Position at beginning of year | 1,537,836       | ( 1,378,190)          | 159,646                    |
| Fund Balance/Net Position at end of year       | \$ 1,531,003    | \$( 1,325,007)        | \$ 205,996                 |

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

**BLUE WATER MIDDLE COLLEGE ACADEMY**

**STATEMENT OF GENERAL FUND REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2022  
WITH ACTUAL FOR THE YEAR ENDED JUNE 30, 2021**

|                                   | 2022                |                     |                     | Variance With<br>Final Budget<br>Positive<br>(Negative) | 2021                |
|-----------------------------------|---------------------|---------------------|---------------------|---|---------------------|
|                                   | Original<br>Budget  | Final<br>Budget     | Actual              |   | Actual              |
| <b>Revenues:</b>                  |                     |                     |                     |   |                     |
| Local sources                     | \$ 2,000            | \$ 5,500            | \$ 5,034            | \$ ( 466)   | \$ 4,786            |
| State sources                     | 2,996,043           | 3,171,361           | 3,160,734           | ( 10,627)   | 3,487,830           |
| Federal sources                   | 21,502              | 39,856              | 30,499              | ( 9,357)  | 165,672             |
| Interdistrict sources             | 10,000              | 10,000              | 10,000              | -   | 210,000             |
| Total Revenues                    | <u>3,029,545</u>    | <u>3,226,717</u>    | <u>3,206,267</u>    | <u>( 20,450)</u>  | <u>3,868,288</u>    |
| <b>Expenditures:</b>              |                     |                     |                     |   |                     |
| Instruction -                     |                     |                     |                     |   |                     |
| Basic programs                    | 2,640,295           | 2,561,579           | 2,530,281           | 31,298  | 2,712,469           |
| Added needs                       | -                   | 125,915             | 112,954             | 12,961  | -                   |
| Supporting services -             |                     |                     |                     |   |                     |
| Pupil                             | 212,789             | 109,424             | 109,558             | ( 134)  | 184,046             |
| Instructional staff               | 565                 | 9                   | -                   | 9   | -                   |
| General administration            | 383,993             | 372,408             | 373,501             | ( 1,093)  | 412,393             |
| Business                          | 75,394              | 75,994              | 70,709              | 5,285   | 70,880              |
| Operation and maintenance         | 12,798              | 12,958              | 11,578              | 1,380   | 11,464              |
| Transportation                    | 2,000               | 2,000               | -                   | 2,000   | -                   |
| Central                           | 4,850               | 7,500               | 4,519               | 2,981   | 2,443               |
| Total Expenditures                | <u>3,332,684</u>    | <u>3,267,787</u>    | <u>3,213,100</u>    | <u>54,687</u>   | <u>3,393,695</u>    |
| Net Change in Fund Balance        | ( 303,139)          | ( 41,070)           | ( 6,833)            | 34,237  | 474,593             |
| Fund Balance at beginning of year | <u>1,537,836</u>    | <u>1,537,836</u>    | <u>1,537,836</u>    | -   | <u>1,063,243</u>    |
| Fund Balance at end of year       | <u>\$ 1,234,697</u> | <u>\$ 1,496,766</u> | <u>\$ 1,531,003</u> | <u>\$ 34,237</u>  | <u>\$ 1,537,836</u> |

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

**BLUE WATER MIDDLE COLLEGE ACADEMY**  
Marysville, Michigan

**NOTES TO FINANCIAL STATEMENTS**  
JUNE 30, 2022

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The accounting policies of the Blue Water Middle College Academy (the "Academy") conform to generally accepted accounting principles as applicable to charter school academies. The following is a summary of the significant accounting policies:

**A. Financial Reporting Entity -**

The Academy was formed as a charter school academy pursuant to the Michigan School Code of 1976, as amended by Act No. 362 of the Public Acts of 1993 and Act No. 416 of the Public Acts of 1994. The Academy filed articles of incorporation as a nonprofit corporation pursuant to the provisions of the Michigan Nonprofit Corporation Act of 1982, as amended, on October 11, 2010.

The principal purpose of the Academy is to provide an educational opportunity to students within St. Clair County, grades 9-13, to access college experience and obtain an additional year of transition into education preparation. This program provides students with the opportunity to obtain a high school diploma as well as up to and including an Associate Degree from St. Clair County Community College.

In connection, the Academy has entered into contracts with St. Clair County Regional Educational Service Agency (RESA) to operate as a public-school academy. The contracts require the Academy to act exclusively as a governmental agency and not undertake any action inconsistent with its status as an entity authorized to receive State School Aid funds pursuant to the State Constitution. The RESA Board of Education is the chartering agent for the Academy and is responsible for overseeing the Academy's compliance with the contract and all applicable laws. The most recent contract, dated June 13, 2022, is for a three-year period ending June 30, 2025.

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board (GASB) for determining the various governmental organizations to be included in the reporting entity. The criteria includes significant operational financial relationships that determine which of the governmental organizations are part of the Academy's reporting entity, and which organizations are legally separate component units of the Academy. Based on the criteria, the Academy had no component units.

**B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation -**

The district-wide financial statement columns (statement of net position and statement of activities) are reported using the *economic resource measurement focus* and the *accrual basis of accounting*. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

**BLUE WATER MIDDLE COLLEGE ACADEMY**  
Marysville, Michigan

**NOTES TO FINANCIAL STATEMENTS**  
JUNE 30, 2022

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):**

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

Unrestricted State Aid, intergovernmental grants, and interest associated with the current period are all considered to be susceptible to accrual, and therefore, have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received.

When both restricted and unrestricted resources are available for use, it is the Academy's policy to use restricted resources first, then the unrestricted resources as they are needed.

The Academy reported the following major governmental fund type:

**General Fund** - is the Academy's primary operating fund. It accounts for all activities of the Academy not reported in other funds.

**C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance -**

**Cash and Cash Equivalents** - The Academy's cash and cash equivalents are cash on hand and demand deposits.

**Receivables (Due from other Governmental Units)** - The Academy considers all receivables to be fully collectible; accordingly, no allowance for uncollectible amounts is necessary.

**Capital Assets** - Capital assets which consist of furniture and other equipment, are recorded in the government-wide financial statements. Capital assets are defined by the Academy as assets with an estimated useful life in excess of one year and an initial individual cost of \$2,000 or more, with the exception of computers, which are capitalized without consideration to minimum cost. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

The furniture and equipment are depreciated on a straight-line method over estimated useful lives of 3-10 years.

**Long-term Liabilities** - Long-term liabilities are recorded in the district-wide financial statements. The only long-term liabilities are for pension and other postemployment (OPEB) benefits.

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**NOTES TO FINANCIAL STATEMENTS**  
JUNE 30, 2022

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):**

**Deferred Outflows/Inflows of Resources -**

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Academy reports deferred outflows of resources related to the net pension and net OPEB liabilities. The contributions made subsequent to the measurement date are recognized in the following plan year; the difference between projected and actual plan investment earnings is amortized over five (5) years, and the remaining deferred items are amortized over the average remaining service lives of the participants.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Academy reports deferred inflows of resources related to pension and OPEB benefit liabilities. The revenues in support of pension contributions made subsequent to the measurement date are recognized in following plan years. The difference between projected and actual plan investment earnings is amortized over five (5) years, and the remaining deferred items are amortized over the average remaining service lives of the participants.

**Fund Balance** - In the financial statements, the General Fund can present fund balance in one or more of the following classifications:

*Nonspendable fund balance* - the portion of fund balance that is not in spendable form.

*Restricted fund balance* - the portion of fund balance that has limitations imposed by external sources.

*Committed fund balance* - the portion of fund balance where amounts can only be used for specific purposes pursuant to constraints imposed by formal action via board resolution (e.g., to establish, modify or rescind) of the highest level of decision-making authority (Board of Trustees).

*Assigned fund Balance* - the portion of fund balance that reflects the Academy's intended use of resources. Such intent currently must be determined by the Director of Business Operations.

*Unassigned fund balance* - the portion of fund balance in the General Fund that cannot be classified into one of the four categories above.

When different classifications of fund balance are present, it is the Academy's policy that expenditures are to be spent from restricted fund balance first, if appropriate, followed in order by committed fund balance, assigned fund balance and lastly, unassigned fund balance.



**BLUE WATER MIDDLE COLLEGE ACADEMY**  
**Marysville, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):**

**Estimates** - In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**NOTE 2 - RECONCILIATION OF DISTRICT-WIDE AND FUND FINANCIAL STATEMENTS:**

A. Explanation of differences between the balance sheet and the district-wide statement of net position (Page 8).

|   |    |                |
|---|----|----------------|
| Fund Balance - General Fund   | \$ | 1,531,003      |
| <p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the General Fund.</p>   |    |                |
| Capital assets  |    | 174,912        |
| Accumulated depreciation  | (  | 159,839)       |
| <p>Certain pension/OPEB contributions and changes in pension/OPEB plan liabilities are reported as deferred outflows (inflows) of resources in the statement of net position.</p> |    |                |
| Deferred outflows of resources  |    | 286,864        |
| Deferred inflows of resources   | (  | 628,577)       |
| <p>Long-term liabilities that are not due and payable in the current period and therefore are not reported in the General Fund.</p>   |    |                |
| Net pension liability   | (  | 940,958)       |
| Net OPEB liability  | (  | <u>57,409)</u> |
| Net Position - Governmental Activities  | \$ | <u>205,996</u> |

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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 2 - RECONCILIATION OF DISTRICT-WIDE AND FUND FINANCIAL STATEMENTS - (cont'd):**

- B.** Explanation of differences between the statement of revenues, expenditures, and changes in fund balance and the district-wide statement of activities and changes in net position (Page 9).

|  |     |                 |
|--|-----|-----------------|
| Net change in fund balance - General Fund  | \$( | 6,833)          |
| <p>The General Fund reports capital outlay as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense.</p> |     |                 |
| Capital outlay   |     | 11,180          |
| Depreciation   | (   | 18,066)         |
| Change in pension/OPEB contributions made subsequent to the pension/OPEB plan's measurement date   |     | 5,499           |
| Change in revenue in support of pension contributions made subsequent to the pension plan's measurement date   | (   | 7,922)          |
| <p>Some expenses reported in the statement of activities do not require the use of current financial resources, and therefore, are not reported as expenditures in the General Fund.</p>                               |     |                 |
| Decrease in net pension liability  |     | 468,306         |
| Decrease in net OPEB liability   |     | 155,604         |
| Change in pension/OPEB expense related to deferred items related to the pension/OPEB plan  | (   | <u>561,418)</u> |
| Change in Net Position - Statement of Activities   | \$  | <u>46,350</u>   |

**NOTE 3 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:**

**Budgets -**

The Academy's Chief Administrative Officer and Business Manager prepare and submit the proposed operating budget prior to June 1 for the fiscal year commencing July 1. Prior to June 30, the proposed budget is presented to the Board of Trustees (the "Board"). The Board holds a public hearing and may add to, subtract from, or change appropriations. The budget is legally enacted through the passage of a Board Resolution. After the budget is adopted, all amendments must be approved by the Board.

The General Fund budget is adopted and shown in the basic financial statements at the functional level on a basis consistent with U.S. generally accepted accounting principles. Expenditures at these legally adopted levels in excess of the amounts budgeted are a violation of the Budgetary Act. The General Fund budget was maintained at the account level for control purposes.

**BLUE WATER MIDDLE COLLEGE ACADEMY**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 3 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY - (cont'd):**

The Academy does not employ encumbrance accounting as an extension of formal budgetary integration. All annual appropriations lapse at year-end.

Expenditures at these legally adopted levels in excess of the amounts budgeted are a violation for the Budgetary Act. For the year ended June 30, 2022, the Academy's expenditures at legally adopted levels did not have any significant budget overages.

**NOTE 4 - DEPOSITS AND INVESTMENTS:**

**Custodial Credit Risk - Deposits -**

Custodial credit risk is the risk that in the event of a bank failure, the Academy's deposits may not be returned. Michigan Public Acts authorize school districts in Michigan to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations with an office in Michigan.

At June 30, 2022, the carrying amount of the Academy's deposits was \$976,120 and the bank balance was \$977,140. Insured deposits were \$317,505 and the remaining \$659,635 was uninsured and uncollateralized.

**NOTE 5 - CAPITAL ASSETS:**

Capital asset activity of the Academy for the year ended June 30, 2022 was as follows:

|  | <u>Balance</u><br><u>July 1,</u><br><u>2021</u> | <u>Additions</u>   | <u>Deletions</u> | <u>Balance</u><br><u>June 30,</u><br><u>2022</u> |
|--|---|--------------------|------------------|--|
| Furniture and Equipment                | \$ 228,765                                      | \$ 11,180          | \$ 65,033        | \$ 174,912                                       |
| Less – accumulated depreciation        | <u>206,806</u>                                  | <u>18,066</u>      | <u>65,033</u>    | <u>159,839</u>                                   |
| Total capital assets, net depreciation | <u>\$ 21,959</u>                                | <u>\$ ( 6,886)</u> | <u>\$ -</u>      | <u>\$ 15,073</u>                                 |

Depreciation expense was \$18,066 for the year ended June 30, 2022.

**NOTE 6 - PENSION PLANS AND POSTEMPLOYMENT BENEFITS:**

**Plan Description -**

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

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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 6 - PENSION PLANS AND POSTEMPLOYMENT BENEFITS - (cont'd):**

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 eligible retirees with the option of receiving health, prescription drug, dental, and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PS 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 MPSERS resides. The State Treasurer serves as the investment officer and custodian. MPSERS issues a publicly available financial report that includes financial statements and required supplementary information in their Annual Comprehensive Financial Report. The report may be obtained online at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools). MPSERS' financial statements are prepared using the accrual basis of accounting.

**Benefits Provided -**

Benefit provisions of the defined benefit (DB) pension plan (the "Plan") are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the DB Plan. Depending on the plan option selected, member retirement benefits are determined by final average compensation, years of service, and a pension factor ranging from 1.25 percent to 1.50 percent. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB Plan members.

A DB member who leaves Michigan public school employment may request a refund of his or her member contributions from 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.

Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which through 2012 was funded on a cash disbursement basis. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, prescription drug, dental, and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by MPSERS, with the balance deducted from the monthly pension of each retiree healthcare recipient. For members who first worked before July 1, 2008 (Basic, MIP-Fixed, and MIP Graded plan members), the subsidy is the maximum allowed by statute. To limit future liabilities of other postemployment benefits (OPEB), members who first worked on or after July 1, 2008 (MIP-Plus plan members) have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute, set at the maximum subsidy at 80% beginning January 1, 2013 and 90% for those who are 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.

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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 6 - PENSION PLANS AND POSTEMPLOYMENT BENEFITS - (cont'd):**

Public Act 300 of 2012 granted all active members of MPSERS who earned service credit in the 12 months ended September 3, 2012 or were on an approved professional services or military leave of absence on September 3, 2012 a voluntary election regarding their retirement healthcare. Any changes to a member's healthcare benefit are effective as of the member's transition date, which is defined as the first day of the pay period that begins on or after February 1, 2013.

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

**Member and Employer Contributions -**

Under Public Act 300 of 1980, as amended, the Academy is required 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 MPSERS 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, the unfunded (overfunded) actuarial accrued liability as of the September 30, 2020 valuation will be amortized over an 18-year period. Employer contributions for fiscal 2022 ranged from 13.39% to 20.14%. In addition, the State contributes stabilization revenues to all school districts to use exclusively for retirement benefits, which ranged from 14.51% to 15.05% for the fiscal year. The Academy's contributions for July 1, 2021 to June 30, 2022 amounted to \$126,746, of which \$67,050 was district funded and \$59,696 was State funded.

Depending on the Plan selected by the participant, member contributions range from 0.00% to 7.00% of wages.

The MPSERS Board also annually sets the employer contribution rate for OPEB benefits, which participatory employees are required to contribute. Employer contributions for fiscal 2022 ranged from 7.23% to 8.43%. The Academy's funded contributions for July 1, 2021 to June 30, 2022 amounted to \$26,010.

Members electing the Personal Healthcare Fund will be automatically enrolled to provide a 2.00% employee contribution into their 457 account as of their transition date and create an obligation for the Academy to provide a 2.00% employer match into the employee's 403(b) account. For the year ended June 30, 2022, the Academy's contributions were \$3,134.

**BLUE WATER MIDDLE COLLEGE ACADEMY**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 6 - PENSION PLANS AND POSTEMPLOYMENT BENEFITS - (cont'd):**

**Payable to the Plan -**

At June 30, 2022, the Academy reported a payable of \$10,859 to the Plan for pension benefits required for the remaining pays related to the year ended June 30, 2022 and State Section 147c revenues.

**Long-term Expected Return on Plan Assets -**

The long-term expected rate of return on Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of Plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Plan's target asset allocation 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 Pools           | 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/Oppportunistic Pools     | 12.5              | 6.1                                     |
| Short-term Investment Pools          | 2.0               | (1.3)                                   |
| TOTAL                                | 100.0 %           |   |

\* Long-term expected real rate of return is net of administrative expenses and 2.0% inflation.

**Proportionate Share Net Pension Liability -**

At June 30, 2022, the Academy reported net pension liability of \$940,958 for its proportionate share of 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 proportion of the net pension liability was determined by dividing the Academy's statutorily required contributions to the system during the measurement period by the percentage of pension contributions required from all applicable employers during the measurement period. At September 30, 2021, the Academy's proportionate share percent was .00397441 percent and .00410253 percent as of September 30, 2020.

**BLUE WATER MIDDLE COLLEGE ACADEMY**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 6 - PENSION PLANS AND POSTEMPLOYMENT BENEFITS - (cont'd):**

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

For the year ended June 30, 2022, the Academy recognized pension expense of \$108,442 in the Academy's entity-wide financial statements. 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<br/>Outflows<br/>of Resources</u> | <u>Deferred<br/>Inflows<br/>of Resources</u> |
|--|---|--|
| Changes of assumptions   | \$ 59,315                                     | \$ -   |
| Net difference between projected and actual earnings on Plan investments                                     | -   | 302,515                                      |
| Changes in proportion and differences between Academy contributions and proportionate share of contributions | 24,549  | 30,691                                       |
| Difference between expected and actual experience  | <u>14,576</u>                                 | <u>5,541</u>                                 |
|  | 98,440  | 338,747                                      |
| Academy contributions subsequent to the measurement date   | 111,531                                       | -  |
| 147c Pension revenue related to contributions subsequent to the measurement date                             | <u>-</u>                                      | <u>59,696</u>                                |
| Total  | <u>\$ 209,971</u>                             | <u>\$ 398,443</u>                            |

Amounts reported as deferred outflows or inflows of resources related to pensions resulting from contributions made subsequent to the measurement date and the related State contributions 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:

| <u>Year Ending<br/>June 30, _____</u> |                     |
|---------------------------------------|---------------------|
| 2023                                  | \$( 20,712)         |
| 2024                                  | ( 53,843)           |
| 2025                                  | ( 80,180)           |
| 2026                                  | <u>( 85,572)</u>    |
|                                       | <u>\$( 240,307)</u> |

**BLUE WATER MIDDLE COLLEGE ACADEMY**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 6 - PENSION PLANS AND POSTEMPLOYMENT BENEFITS - (cont'd):**

**Actuarial Valuations and Assumptions -**

The total pension liability was determined by an actuarial valuation as of September 30, 2020 using updated procedures to roll forward the liability to September 30, 2021. The valuation was based on the most recent study of Plan experience covering the period of October 1, 2012 through September 30, 2017. Significant assumptions used in the latest valuation were:

|                                     |   |
|-------------------------------------|---|
| Actuarial Cost Method               | Entry Age, Normal   |
| Investment Rate of Return           |   |
| - Basic, MIP and Pension Plus Plans | 6.80%   |
| - Pension Plus 2 Plan               | 6.00%   |
| Projected Salary Increases          | 2.75%-11.55%, including wage inflation at 2.75%   |
| Cost-of-Living Pension Adjustments  | 3.00% Annual Non-Compounded for MIP Members   |
| Mortality                           | RP-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006. For retirees, RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006. |

**Discount Rate -**

A discount rate of 6.80% was used to measure the total pension liability (6.00% for the Pension Plus 2 Plan). This discount rate was based on the long-term expected rate of return on Plan investments of 6.80% (6.00% 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 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 Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity 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 a discount rate of 6.80% (6.00% for the Pension Plus 2 Plan), as well as what the reporting unit's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher:

|                     |                     |                    |
|---------------------|---------------------|--------------------|
| <u>1% Decrease</u>  | <u>Current Rate</u> | <u>1% Increase</u> |
| \$ <u>1,345,315</u> | \$ <u>940,958</u>   | \$ <u>605,720</u>  |



**BLUE WATER MIDDLE COLLEGE ACADEMY**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 6 - PENSION PLANS AND POSTEMPLOYMENT BENEFITS - (cont'd):**

**Proportionate Share Net OPEB Liability -**

At June 30, 2022, the Academy reported a liability of \$57,409 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 proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2021, the Academy's proportionate share was .00376110 percent and .00397615 percent at September 30, 2020.

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

For the year ended June 30, 2022, the Academy recognized OPEB credit of \$29,177 in the Academy's entity-wide financial statements. At June 30, 2022, the Academy reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|  | <u>Deferred<br/>Outflows<br/>of Resources</u> | <u>Deferred<br/>Inflows<br/>of Resources</u> |
|--|---|--|
| Changes of assumptions   | \$ 47,991                                     | \$ 7,181                                     |
| Difference between expected and actual experience  | -   | 163,869                                      |
| Net difference between projected and actual earnings on OPEB Plan investments                                | -   | 43,270                                       |
| Changes in proportion and differences between Academy contributions and proportionate share of contributions | <u>9,078</u>                                  | <u>15,814</u>                                |
|  | 57,069  | 230,134                                      |
| Academy contributions subsequent to the measurement date   | <u>19,824</u>                                 | <u>-</u>                                     |
| <b>Total</b>   | <u><b>\$ 76,893</b></u>                       | <u><b>\$ 230,134</b></u>                     |

Amounts reported as deferred outflows of resources related to OPEB resulting from contributions made subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending 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 Ending<br/>June 30,...</u> |                            |
|------------------------------------|----------------------------|
| 2023                               | \$( 42,262)                |
| 2024                               | ( 39,541)                  |
| 2025                               | ( 38,155)                  |
| 2026                               | ( 36,908)                  |
| 2027                               | ( 14,320)                  |
| Thereafter                         | <u>( 1,879)</u>            |
|                                    | <u><b>\$( 173,065)</b></u> |

**BLUE WATER MIDDLE COLLEGE ACADEMY**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 6 - PENSION PLANS AND POSTEMPLOYMENT BENEFITS - (cont'd):**

**Actuarial Valuations and Assumptions -**

The total OPEB liability was determined by an actuarial valuation as of September 30, 2020 using updated procedures to roll forward the liability to September 30, 2021. The valuation was based on the most recent study of Plan experience covering the period of October 1, 2012 through September 30, 2017. Significant assumptions used in the latest valuation were:

|                                 |   |
|---------------------------------|---|
| Actuarial Cost Method           | Entry Age, Normal   |
| Wage Inflation Rate             | 2.75%   |
| Investment Rate of Return       | 6.95%   |
| Projected Salary Increases      | 2.75%-11.55%, including wage inflation of 2.75%   |
| Healthcare Cost Trend Rate      | Pre-65: 7.75% year 1, graded to 3.50% year 15, 3.00% year 120; Post-65: 5.25% year 1, graded to 3.50% year 15, 3.00% year 120   |
| Mortality                       | RP-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006. For retirees, RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006. |
| 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 one or more dependents.   |

**Discount Rate -**

A discount rate of 6.95% was used to measure the total OPEB liability. The 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 OPEB 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 OPEB 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.

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**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 6 - PENSION PLANS AND POSTEMPLOYMENT BENEFITS - (cont'd):**

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

| <u>1% Decrease</u> | <u>Current Rate</u> | <u>1% Increase</u> |
|--------------------|---------------------|--------------------|
| \$ <u>106,676</u>  | \$ <u>57,409</u>    | \$ <u>15,599</u>   |

**Sensitivity to the Academy's Proportionate Share of the Net OPEB Liability to Healthcare Cost Trend Rate -**

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

| <u>1% Decrease</u> | <u>Current Healthcare<br/>Cost Trend Rate</u> | <u>1% Increase</u> |
|--------------------|---|--------------------|
| \$ <u>13,973</u>   | \$ <u>57,409</u>                              | \$ <u>106,279</u>  |

**NOTE 7 - RELATED PARTY TRANSACTIONS:**

The Academy has entered into a business and support services agreement with RESA to provide, among other things, curricular and program support, clerical and data processing services, etc. The following is a summary of transactions and balances with RESA as of and for the year ended June 30, 2022:

|                      |    |        |
|----------------------|----|--------|
| Expenditures for:    |    |        |
| Business Service Fee | \$ | 60,000 |
| Due to RESA          |    | 1,318  |

**REQUIRED SUPPLEMENTARY INFORMATION**

**BLUE WATER MIDDLE COLLEGE ACADEMY**

**REQUIRED SUPPLEMENTARY INFORMATION  
PENSION BENEFITS**

**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
PLAN FISCAL YEARS**

| <u>For the year<br/>ended September 30,</u> | <u>Proportion of<br/>net pension<br/>liability</u> | <u>Proportionate<br/>share of net<br/>pension liability</u> | <u>Covered<br/>payroll</u> | <u>Proportionate<br/>share of net<br/>pension liability<br/>as a percentage of<br/>covered payroll</u> | <u>Plan fiduciary net<br/>position as a<br/>percentage of<br/>total pension<br/>liability</u> |
|---|--|---|----------------------------|--|---|
| 2021  | 0.00397441%  | \$ 940,958  | \$ 341,701                 | 275.37%  | 72.60%  |
| 2020  | 0.00410253%  | \$ 1,409,264  | \$ 352,740                 | 399.52%  | 59.72%  |
| 2019  | 0.00403768%  | \$ 1,337,144  | \$ 351,342                 | 380.58%  | 60.31%  |
| 2018  | 0.00389703%  | \$ 1,171,518  | \$ 332,457                 | 352.38%  | 62.36%  |
| 2017  | 0.00379917%  | \$ 984,526  | \$ 319,281                 | 308.36%  | 64.21%  |
| 2016  | 0.00369616%  | \$ 922,162  | \$ 310,904                 | 296.61%  | 63.27%  |
| 2015  | 0.00363617%  | \$ 888,135  | \$ 301,524                 | 294.55%  | 63.17%  |
| 2014  | 0.00281000%  | \$ 617,876  | \$ 237,544                 | 260.11%  | 66.20%  |

\* GASB Statement No. 68 was implemented in fiscal 2015. These schedules are being built prospectively. Ultimately 10 years will be presented.

**BLUE WATER MIDDLE COLLEGE ACADEMY**

**REQUIRED SUPPLEMENTARY INFORMATION  
PENSION BENEFITS**

**SCHEDULE OF ACADEMY PENSION CONTRIBUTIONS  
ACADEMY'S FISCAL YEARS**

| For the year<br>ended June 30, | Statutorily<br>required<br>contributions | Contributions in<br>relation to<br>statutorily required<br>contributions | Contribution<br>deficiency<br>(excess) | Covered<br>Payroll | Contributions as<br>a percentage of<br>covered employee<br>payroll |
|--------------------------------|--|--|--|--------------------|--|
| 2022                           | \$ 126,746                               | \$ 126,746   | \$ -                                   | \$ 334,900         | 37.85%   |
| 2021                           | \$ 119,921                               | \$ 119,921   | \$ -                                   | \$ 346,049         | 34.65%   |
| 2020                           | \$ 112,514                               | \$ 112,514   | \$ -                                   | \$ 352,740         | 31.90%   |
| 2019                           | \$ 106,776                               | \$ 106,776   | \$ -                                   | \$ 348,673         | 30.62%   |
| 2018                           | \$ 98,277                                | \$ 98,277  | \$ -                                   | \$ 329,842         | 29.80%   |
| 2017                           | \$ 90,709                                | \$ 90,709  | \$ -                                   | \$ 328,036         | 27.65%   |
| 2016                           | \$ 86,179                                | \$ 86,179  | \$ -                                   | \$ 309,530         | 27.84%   |
| 2015                           | \$ 63,705                                | \$ 63,705  | \$ -                                   | \$ 291,123         | 21.88%   |

\* GASB Statement No. 68 was implemented in fiscal 2015. These schedules are being built prospectively. Ultimately 10 years will be presented.

**BLUE WATER MIDDLE COLLEGE ACADEMY**

**REQUIRED SUPPLEMENTARY INFORMATION  
OTHER POSTEMPLOYMENT BENEFITS**

**SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY  
PLAN FISCAL YEARS**

| <u>For the year<br/>ended September 30,</u> | <u>Proportion of<br/>net OPEB<br/>liability</u> | <u>Proportionate<br/>share of net<br/>OPEB liability</u> | <u>Covered<br/>payroll</u> | <u>Proportionate<br/>share of net<br/>OPEB liability<br/>as a percentage of<br/>covered payroll</u> | <u>Plan fiduciary net<br/>position as a<br/>percentage of<br/>total OPEB<br/>liability</u> |
|---|---|--|----------------------------|---|--|
| 2021  | 0.00376110%                                     | \$ 57,409  | \$ 341,701                 | 16.80%  | 87.33%   |
| 2020  | 0.00397615%                                     | \$ 213,013   | \$ 352,740                 | 60.39%  | 59.43%   |
| 2019  | 0.00401330%                                     | \$ 288,065   | \$ 351,342                 | 81.99%  | 48.46%   |
| 2018  | 0.00389749%                                     | \$ 309,810   | \$ 332,457                 | 93.19%  | 42.95%   |
| 2017  | 0.00375651%                                     | \$ 332,657   | \$ 319,281                 | 104.19%   | 36.39%   |

**SCHEDULE OF ACADEMY OPEB CONTRIBUTIONS  
ACADEMY'S FISCAL YEARS**

| <u>For the year<br/>ended June 30,</u> | <u>Statutorily<br/>required<br/>contributions</u> | <u>Contributions in<br/>relation to<br/>statutorily required<br/>contributions</u> | <u>Contribution<br/>deficiency<br/>(excess)</u> | <u>Covered<br/>Payroll</u> | <u>Contributions as<br/>a percentage of<br/>covered employee<br/>payroll</u> |
|--|---|--|---|----------------------------|--|
| 2022                                   | \$ 26,010   | \$ 26,010  | \$ -  | \$ 334,900                 | 7.77%  |
| 2021                                   | \$ 28,218   | \$ 28,218  | \$ -  | \$ 346,049                 | 8.15%  |
| 2020                                   | \$ 27,994   | \$ 27,994  | \$ -  | \$ 352,740                 | 7.94%  |
| 2019                                   | \$ 27,347   | \$ 27,347  | \$ -  | \$ 348,673                 | 7.84%  |
| 2018                                   | \$ 25,869   | \$ 25,869  | \$ -  | \$ 329,842                 | 7.84%  |

\* GASB Statement No. 75 was implemented in fiscal 2018. These schedules are being built prospectively. Ultimately 10 years will be presented.

**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 Trustees  
Blue Water Middle College Academy  
Marysville, Michigan

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 and the General Fund of the Blue Water Middle College Academy (the "Academy") as of and for the year ended June 30, 2022 and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements, and have issued our report thereon dated October 18, 2022.

**Report on Internal Control Over Financial Reporting**

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the 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 the Blue Water Middle College Academy's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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

*UHY* LLP

Port Huron, Michigan  
October 18, 2022

October 18, 2022

UHY LLP  
1979 Holland Ave., Suite A  
Port Huron, MI 48060

This representation letter is provided in connection with your audit of the financial statements of Blue Water Middle College Academy, which comprise the respective financial position of the governmental activities, and the General Fund, as of June 30, 2022, and the respective changes in financial position for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of October 18, 2022, the following representations made to you during your audit.

#### **Financial Statements**

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated April 26, 2022, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
- 3) We acknowledge our responsibility 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.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- 6) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
- 7) Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.

UHY LLP  
October 18, 2022  
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- 8) We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements, and we have not consulted a lawyer concerning litigation, claims, or assessments.
- 9) Guarantees, whether written or oral, under which the Academy is contingently liable, if any, have been properly recorded or disclosed.

**Information Provided**

- 10) We have provided you with:
  - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters, and all audit or relevant monitoring reports, if any, received from funding sources.
  - b) Additional information that you have requested from us for the purpose of the audit.
  - c) Unrestricted access to persons within the Academy from whom you determined it necessary to obtain audit evidence.
  - d) Minutes of the meetings of the Board of Education or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 11) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 1) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 1) We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
  - a) Management,
  - b) Employees who have significant roles in internal control, or
  - c) Others where the fraud could have a material effect on the financial statements.
- 1) We have no knowledge of any allegations of fraud or suspected fraud affecting the Academy's financial statements communicated by employees, former employees, regulators, or others.
- 1) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
- 2) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
- 3) We have disclosed to you the identity of the Academy's related parties and all the related party relationships and transactions of which we are aware.



# BLUE WATER MIDDLE COLLEGE

Chartered by the St. Clair County RESA

499 Range Road, PO Box 1500  
Marysville, MI 48040  
(810) 364-8990 Fax (810) 364-

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## **Government—Specific**

- 4) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 12) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- 13) The Academy has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
- 14) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and legal and contractual provisions for reporting specific activities in separate funds.
- 15) We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
- 16) We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
- 17) We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
- 18) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
- 19) As part of your audit, you assisted with preparation of the financial statements and related notes. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements.
- 20) The Academy has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 21) The Academy has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 22) The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.

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- 23) The financial statements properly classify all funds and activities, in accordance with GASB Statement No. 34.
- 24) All funds that meet the quantitative criteria in and for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
- 25) Components of net position (net investment in capital assets; restricted; and unrestricted) and components of fund balance (nonspendable and restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
- 26) Provisions for uncollectible receivables have been properly identified and recorded.
- 27) Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.
- 28) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
- 29) We have appropriately disclosed the Academy's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
- 30) We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.
- 31) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.

Signature:  10/18/22

Title: Business Manager

Signature:  10/19/22

Title: Director