

Academic and Career Education Academy

Financial Statements

June 30, 2021



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Independent Auditors' Report

To the Board of Directors and Administration
Academic and Career Education Academy
Midland, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Academic and Career Education Academy, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Academic and Career Education Academy, as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Adoption of New Accounting Standard

As described in Note 1 to the financial statements, during the year ended June 30, 2021, the Academy adopted GASB Statement No. 84, *Fiduciary Activities*. Our opinions are not modified with respect to this matter.

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Academic and Career Education Academy's basic financial statements. The other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The other supplementary information, as identified in the table of contents, is the responsibility of management and, other than the prior year information, was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, other than the prior year information, the other supplementary information, as identified in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 16, 2021 on our consideration of Academic and Career Education 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 Academic and Career Education 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 Academic and Career Education Academy's internal control over financial reporting and compliance.

Yeo & Yeo, P.C.

Midland, Michigan
August 16, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

**Academic and Career Education Academy
Management's Discussion and Analysis
Year Ended June 30, 2021**

Academic and Career Education Academy (Academy) is a grades 9 - 12 public school academy in Midland County, Michigan and 2019-20 was the fourteenth year of operation and implementation of Governmental Accounting Standards Board Statement 34 (GASB 34) with the enclosed financial statements. The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Academy's management's discussion and analysis of the financial results for the fiscal year ended June 30, 2021.

This financial report is presented in the format required by the Governmental Accounting Standards Board (GASB) in their Statement Number 34 issued in June of 2000. Required comparative information is available, and the financial statements are prepared according to GASB 34 guidelines.

Overview of Financial Statements

The annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and the required supplementary information. Generally Accepted Accounting Principles (GAAP) according to GASB 34 now requires the reporting of two types of financial statements: Academy-wide Financial Statements and Fund Financial Statements.

Academy-wide Financial Statements

The academy-wide statements provide a perspective of the school as a whole. These statements use the full accrual basis of accounting similar to private sector companies. There are two academy-wide statements: the Statement of Net Position and the Statement of Activities.

The Statement of Net Position (page 4-1) combines and consolidates the governmental fund current financial resources (short-term spendable resources) with capital assets, regardless of whether they are currently available or not.

Consistent with the full accrual basis method of accounting, the Statement of Activities (page 4-2) accounts for current year revenues and expenses regardless of when cash is received or paid. The intent of this statement is to summarize and simplify the user's analysis of the costs of various district services.

When analyzed together, the two statements help the reader determine whether the Academy is financially stronger or weaker as a result of the year's activities. These statements reveal that the Academy is financially stronger at the end of the 2021 fiscal year.

Fund Financial Statements

The fund financial statements are reported on a modified accrual basis. Only those assets that are "measurable" and "currently available" are reported. Liabilities that are to be paid with current financial resources are recognized. These statements focus on individual parts of the Academy rather than Academy as a whole.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual." In the State of Michigan, the district's major instructional support activities are reported in the General Fund. Additional activities are reported in their relevant funds.

**Academic and Career Education Academy
Management's Discussion and Analysis
Year Ended June 30, 2021**

SUMMARY OF NET POSITION:

The following summarizes the Academy's net position at fiscal year ended June 30.

	2021	2020
Assets		
Current assets	\$ 383,925	\$ 355,538
Liabilities		
Current liabilities	69,775	71,118
Net position		
Restricted for food service	7,220	4,080
Unrestricted	312,118	280,340
Total net position	319,338	284,420

Analysis of Financial Position:

During the fiscal year ended June 30, 2021, the Academy's net position increased by \$50,303. Revenues from General Fund operations exceeded expenditures by \$46,641, for the fiscal year ended June 30, 2021. See the section entitled Results of Operations, below, for further discussion on General Fund operations.

Results of Operations:

Revenues

	2021	2020
Program Revenues		
Charges for services	\$ 13,838	\$ 11,479
Operating grants and contributions	216,965	176,402
General Revenues		
State aid- unrestricted	747,192	768,893
Interest earnings	-	3
Other	26,931	32,860
Total revenues	\$ 1,004,926	\$ 989,637

Expenses

Community services	73	45
Food services	10,339	10,812
Student and school activities	569	-
Total expenses	954,623	959,951
Change in net position	50,303	29,686
Net position- beginning, as restated	269,035	254,734
Net position - ending	\$ 319,338	\$ 284,420

**Academic and Career Education Academy
Management's Discussion and Analysis
Year Ended June 30, 2021**

Revenues:

State of Michigan Unrestricted Aid (State Foundation Grant)

The State of Michigan unrestricted aid is determined by the following:

- a. State of Michigan State Aid Act per student foundation allowance.
- b. Student Enrollment – As a Public School Academy, enrollment for the year ended June 30, 2021, was based on enrollment blended at 90% of current year's fall count and 10% of last year's winter count.

Per Student, Foundation Allowance:

Annually, the State of Michigan establishes the per student foundation allowance. The foundation allowance for the Academy was \$8,111 per pupil for fiscal year 2021. The per-pupil amount did not change from fiscal year 2020.

Student Enrollment

The blended student count is based on 90% of the Academy's October 2020 count of 82 and 10% of the February 2021 count of 80.

Operating Grants

The Academy received \$216,965 in operating grants during the fiscal year.

Charges for Services

Food service fund revenue amounted to \$12,747 during 2020-2021. Federal portion of the food service revenue was to \$11,064, which was received for meal reimbursements.

Expenses:

Academy-wide expenses totaled \$954,623 for fiscal year 2021.

General Fund Budget vs. Actual Revenues & Expenditures

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year.

Typically, the Academy amends the budget twice per fiscal year. Once in the fall to incorporate changes in grants and actual student count and also a second time usually in June, to incorporate a more accurate reflection of expense allocations. In fiscal year 2021, the budget was amended in June.

General Fund Revenues

Total revenues original budget	\$ 1,039,590
Total revenues final budget	1,014,501
Total revenues actual	990,356

**Academic and Career Education Academy
Management's Discussion and Analysis
Year Ended June 30, 2021**

Decrease in Revenues vs. Budget

The Academy's actual general fund revenue were less than the final budget by \$24,145, a variance of 2%.

The Academy experienced an increase in revenue of \$15,289 or a 1.5% increase from the fiscal year 2020. Increase due to an increase in per pupil funding.

General Fund Expenditures

Total expenditures original budget	\$ 1,024,829
Total expenditures final budget	1,005,152
Total expenditures actual	943,715

Decrease in Expenditures vs. Budget

The Academy's actual general fund expenses were less than the final budget by \$61,437, a variance of 6%.

Careful monitoring of overall expenditures contributed to the final budget exceeding actual expenditures. Expenses decreased by 0.5% from the previous fiscal year. Decrease due to decrease in transportation and rent due to COVID-19 in PPP funding.

Economic Factors and Next Year's Budget

We considered many factors when setting the Academy's 2020-21 year budget. Since most of the Academy's revenue is derived from the per pupil foundation allowance, student enrollment as reported in the *blended count* is one of the key factors in forecasting revenue. Once the final student count is known in late October, State law requires the district to amend the budget if actual revenues will vary significantly from those originally appropriated.

Since the Academy's revenue is heavily dependent on State funding and the health of the State's School Aid Fund, actual revenue received depends on the State's ability to collect revenues to fund its appropriation to school districts. The 2021-22 budget plans for a foundation allowance of \$8,111 per pupil. The District is projecting an October count of 92 and budgeted expenses were decreased according to anticipated needs.

Requests for Information

This financial report is designed to provide our citizens with a general overview of the Academy's finances. If you have questions about this report or would like additional information, contact Academic and Career Education Academy.

BASIC FINANCIAL STATEMENTS

Academic and Career Education Academy
Statement of Net Position
June 30, 2021

	<u>Governmental Activities</u>
Assets	
Cash	\$ 234,225
Due from other governmental units	<u>149,700</u>
 Total assets	 <u>383,925</u>
Liabilities	
Accounts payable	<u>43,693</u>
Net position	
Restricted for	
Food service	7,220
Unrestricted	<u>312,118</u>
 Total net position	 <u><u>\$ 319,338</u></u>

See Accompanying Notes to the Financial Statements

Academic and Career Education Academy
Statement of Activities
For the Year Ended June 30, 2021

	Program Revenues		Net (Expense)
Expenses	Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
Functions/Programs			
Governmental activities			
Instruction	\$ 352,000	\$ -	\$ 160,824
Supporting services	591,642	-	56,141
Student and school activities	569	1,091	-
Food services	10,339	12,747	-
Community services	73	-	-
Total governmental activities	\$ 954,623	\$ 13,838	\$ 216,965
			(723,820)
	General revenues		
			747,192
			26,931
		Total general revenues	774,123
		Change in net position	50,303
		Net position - beginning, as restated	269,035
		Net position - ending	\$ 319,338

See Accompanying Notes to the Financial Statements

Academic and Career Education Academy
Governmental Funds
Balance Sheet
June 30, 2021

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Cash	\$ 230,579	\$ 3,646	\$ 234,225
Due from other governments	149,493	207	149,700
Due from other funds	<u>-</u>	<u>5,168</u>	<u>5,168</u>
Total assets	<u>\$ 380,072</u>	<u>\$ 9,021</u>	<u>\$ 389,093</u>
Liabilities and fund balances			
Liabilities			
Accounts payable	\$ 43,693	\$ -	\$ 43,693
Due to other funds	5,168	-	5,168
Unearned revenue	<u>20,894</u>	<u>-</u>	<u>20,894</u>
Total liabilities	<u>69,755</u>	<u>-</u>	<u>69,755</u>
Fund balances			
Restricted for food service	-	7,220	7,220
Committed for student and school activities	-	1,801	1,801
Unassigned	<u>310,317</u>	<u>-</u>	<u>310,317</u>
Total fund balances	<u>310,317</u>	<u>9,021</u>	<u>319,338</u>
Total liabilities and fund balances	<u>\$ 380,072</u>	<u>\$ 9,021</u>	<u>\$ 389,093</u>

See Accompanying Notes to the Financial Statements

Academic and Career Education Academy
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2021

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues			
Local sources	\$ 70,920	\$ 2,595	\$ 73,515
State sources	792,379	911	793,290
Federal sources	127,057	11,064	138,121
Total revenues	<u>990,356</u>	<u>14,570</u>	<u>1,004,926</u>
Expenditures			
Current			
Education			
Instruction	352,000	-	352,000
Supporting services	591,642	-	591,642
Food services	-	10,339	10,339
Community services	73	-	73
Student and school services	-	569	569
Total expenditures	<u>943,715</u>	<u>10,908</u>	<u>954,623</u>
Net change in fund balances	46,641	3,662	50,303
Fund balances - beginning, as restated	<u>263,676</u>	<u>5,359</u>	<u>269,035</u>
Fund balances - ending	<u>\$ 310,317</u>	<u>\$ 9,021</u>	<u>\$ 319,338</u>

See Accompanying Notes to the Financial Statements

Academic and Career Education Academy
Notes to the Financial Statements
June 30, 2021

Note 1 – Summary of Significant Accounting Policies

The accounting policies of Academic and Career Education Academy (the “Academy”) conform to accounting principles generally accepted in the United States of America as applicable to academies. The following is a summary of the significant accounting policies.

Reporting Entity

Academic and Career Education Academy was granted a contract to organize and operate a public school academy under the authority of the Midland County Educational Service Agency, as granted by the State of Michigan.

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 Academic and Career Education Academy Board of Directors (Board) is the primary government that has oversight responsibility and control over all activities related to public education in the Academy. The Board receives funding from local, state and federal government sources and must comply with the concomitant requirements of these funding source entities. However, the Board is not included in any other governmental “reporting entity” as defined in GASB pronouncements. The Board has separate legal standing and is fiscally independent of other governmental entities. As such, the Board has decision-making authority, the right to determine its budget, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters. The Board does not include any other component within its financial statements.

Academy-wide Financial Statements

The Academy’s basic financial statements include both academy-wide (reporting for the Academy as a whole) and fund financial statements (reporting the Academy’s major funds). The academy-wide financial statements categorize all nonfiduciary activities as either governmental

or business type. All of the Academy’s activities are classified as governmental activities.

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

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

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

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

Fund Financial Statements

Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable

Academic and Career Education Academy
Notes to the Financial Statements
June 30, 2021

and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Academy considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

The Academy reports the following major governmental fund:

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

Additionally, the Academy reports the following fund types:

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The School District's Special Revenue Funds include the Food Service Fund and Student/School Activity Fund. Operating deficits generated by these activities are generally transferred from the General Fund.

Assets, Liabilities and Net Position

Cash – Cash includes cash on hand and demand deposits.

Receivables and Payables – Generally, outstanding amounts owed between funds are classified as “due from/to other funds”. These amounts are caused by transferring revenues and expenses between

funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

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

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

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

Assigned – amounts intended to be used for specific purposes, as determined by the Business Manager. Residual amounts in governmental funds other than the General Fund are automatically assigned by their nature.

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

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

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

Eliminations and Reclassifications

In the process of aggregating data for the statement of net position and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the “grossing

Academic and Career Education Academy
Notes to the Financial Statements
June 30, 2021

up” effect on assets and liabilities within the governmental activities column.

Adoption of New Accounting Standard

Statement No. 84, *Fiduciary Activities* improves the guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The focus of the criteria includes the following: (1) is the government controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The four fiduciary funds that should be reported, if applicable are: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally will report fiduciary activities that are not held in a trust or similar arrangement that meets specific criteria. The requirements of this Statement are effective for the fiscal year ending June 30, 2021.

Upcoming Accounting and Reporting Changes

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

Note 2 – Stewardship, Compliance, and Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and State law for the General Fund and special revenue funds. All annual appropriations lapse at fiscal year end.

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

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

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

Appropriations lapse at year-end and, therefore, cancel all encumbrances. These appropriations are reestablished at the beginning of the following year.

Excess of Expenditures over Appropriations

During the year, the academy incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

Function	Final Budget	Amount of Expenditures	Budget Variance
Business	\$ 54,466	\$ 58,457	\$ 3,991

Academic and Career Education Academy
Notes to the Financial Statements
June 30, 2021

Note 3 – Deposits

The breakdown between deposits for the Academy is as follows:

Deposits (checking, savings accounts)	\$ 234,025
Petty cash	<u>200</u>
Total	<u>\$ 234,225</u>

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

Credit risk – State statutes authorize the Academy to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan; the Academy is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles.

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

Custodial credit risk – deposits – In the case of deposits, this is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. The Academy does not have a deposit policy for custodial credit risk. As of June 30, 2021, the Academy's bank balance of \$245,525 was fully insured by FDIC.

Note 4 – Interfund Receivables, Payables

Individual interfund receivable and payable balances at year end were:

<u>Payable Fund</u>	<u>Receivable Fund</u>	<u>Amount</u>
General	Nonmajor	<u>\$ 5,168</u>

The outstanding balances between funds result mainly from the time lag between the dates that transactions are recorded in the accounting system and payments between funds are made.

Management does not anticipate individual interfund balances to remain outstanding for periods in excess of one year.

Note 5 – Operating Leases

The Academy leases its facilities and operating equipment from Education and Training Connection, Inc. (ETC), a related party, as discussed in Note 8. Rental expenses for the year ended June 30, 2021 amounted to \$129,950. Future minimum lease payments under the non-cancelable lease remaining are \$129,950 and will be paid during the next fiscal year.

Note 6 – Risk Management

The Academy is exposed to various risks of loss related to property loss, torts, errors and omissions. The Academy has purchased commercial insurance for general liability and property. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in the past three years.

Academic and Career Education Academy
Notes to the Financial Statements
June 30, 2021

Note 7 – Contingencies and Commitments

Grant Programs

The Academy has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowance under terms of the grants, management believes that any required reimbursements would not be material.

Note 8 – Related Party Transactions

The Academy has executed an Educational Service Provider Agreement (ESP) with Education and Training Connection (ETC), a tax exempt, non-profit organization, to provide support services for the Academy. The two corporations have separate non-overlapping boards and officers. Under the Agreement, ETC provides all staffing, including benefits, purchases of supplies and performs management services for the Academy. Payments to ETC for these services for the year ended June 30, 2021 amounted to \$870,994. The Academy leases its facilities, as described in Note 5, from Education and Training Connection. The total rent payments under this agreement amounted to \$129,950 for the year ended June 30, 2021. In addition, the Academy paid \$13,301 to ETC for its allocable percentage of building operations. The Academy also had accounts payable to ETC of \$43,813 as of June 30, 2021.

Note 9 – Change in Accounting Principle

As indicated in Note 1, Governmental Accounting Standards Board Statement 84 has been adopted. The standard requires this change be applied retroactively. The impact of this change is to increase beginning net position in the statement of activities as of July 1, 2020 by \$1,279, restating it from \$267,756 to \$269,035. In addition, the nonmajor governmental funds fund balance was restated from \$4,080 to \$5,359 and the student/school activities fund balance was restated from \$0 to \$1,279.

REQUIRED SUPPLEMENTARY INFORMATION

Academic and Career Education Academy
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Local sources	\$ 17,135	\$ 20,463	\$ 70,920	\$ 50,457
State sources	901,456	864,239	792,379	(71,860)
Federal sources	120,999	129,799	127,057	(2,742)
Total revenues	<u>1,039,590</u>	<u>1,014,501</u>	<u>990,356</u>	<u>(24,145)</u>
Expenditures				
Instruction				
Basic programs	362,298	342,030	321,912	(20,118)
Added needs	48,106	47,225	30,088	(17,137)
Supporting services				
Pupil	74,536	74,372	71,277	(3,095)
Instructional staff	22,875	8,725	8,667	(58)
General administration	15,310	14,600	12,036	(2,564)
School administration	160,977	161,610	148,350	(13,260)
Business	58,051	54,466	58,457	3,991
Operations and maintenance	176,170	209,564	208,268	(1,296)
Pupil transportation services	56,790	47,492	42,348	(5,144)
Central	43,700	43,025	42,239	(786)
Community services	1,120	843	73	(770)
Interest and other expenditures	4,896	1,200	-	(1,200)
Total expenditures	<u>1,024,829</u>	<u>1,005,152</u>	<u>943,715</u>	<u>(61,437)</u>
Net change in fund balances	14,761	9,349	46,641	37,292
Fund balances - beginning	<u>263,676</u>	<u>263,676</u>	<u>263,676</u>	<u>-</u>
Fund balances - ending	<u>\$ 278,437</u>	<u>\$ 273,025</u>	<u>\$ 310,317</u>	<u>\$ 37,292</u>

OTHER SUPPLEMENTARY INFORMATION

Academic and Career Education Academy
Other Supplementary Information
Nonmajor Governmental Funds
Combining Balance Sheet
For the Year Ended June 30, 2021

	Special Revenue Funds		Total
	Food Service	Student/School Activity Fund	Nonmajor Governmental Funds
Assets			
Cash	\$ 1,845	\$ 1,801	\$ 3,646
Due from other funds	5,168	-	5,168
Due from other governments	207	-	207
Total assets	7,220	1,801	9,021
 Liabilities and fund balance			
Fund balances			
Restricted for			
Food service	\$ 7,220	\$ -	\$ 7,220
Committed	-	1,801	1,801
Total liabilities and fund balances	\$ 7,220	\$ 1,801	\$ 9,021

Academic and Career Education Academy
Other Supplementary Information
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2021

	<u>Special Revenue Funds</u>		Total
	<u>Food Service</u>	<u>Student/School Activity Fund</u>	<u>Nonmajor Governmental Funds</u>
Revenues			
Local sources	\$ 1,504	\$ 1,091	\$ 2,595
State sources	911	-	911
Federal sources	11,064	-	11,064
Total revenues	<u>13,479</u>	<u>1,091</u>	<u>14,570</u>
Expenditures			
Current			
Education			
Food services	10,339	-	10,339
Student and school activities	-	569	569
Total expenditures	<u>10,339</u>	<u>569</u>	<u>10,908</u>
Excess (deficiency) of revenues over expenditures	3,140	522	3,662
Fund balances - beginning, as restated	<u>4,080</u>	<u>1,279</u>	<u>5,359</u>
Fund balances - ending	<u>\$ 7,220</u>	<u>\$ 1,801</u>	<u>\$ 9,021</u>



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

Independent Auditors' Report

Management and the Board of Directors
Academic and Career Education Academy
Midland, 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, the major fund, and the aggregate remaining fund information of Academic and Career Education Academy as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Academic and Career Education Academy's basic financial statements, and have issued our report thereon dated August 16, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Academic and Career Education Academy's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Academic and Career Education Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of Academic and Career Education 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and responses as item 2021-001 that we consider to be a significant deficiency.

Compliance and Other Matters

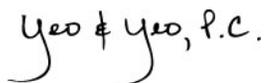
As part of obtaining reasonable assurance about whether Academic and Career Education Academy 's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, described in the accompanying schedule of findings and responses as items 2021-001.

Academic and Career Education Academy's Response to Findings and Corrective Action Plan

Academic and Career Education Academy's responses to the finding identified in our audit are described in the accompanying schedule of findings and responses. Academic and Career Education Academy's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.



Midland, Michigan
August 16, 2021

Academic and Career Education Academy
Notes to the Financial Statements
June 30, 2021

2021-001 – Significant Deficiency and Noncompliance – Funds Over Requested

Criteria: Requirement on the reimbursement grants to draw down only the amounts for sufficient allowable expenditures.

Condition: Title funds were over requested during the current year.

Cause: The Title funds for April were requested twice.

Effect: The Academy is not in compliance with Federal law that requires schools to have sufficient expenditures for federal revenues.

Recommendation: We recommend that the Academy have sufficient expenditures to cover federal revenues to ensure the Academy is in compliance with Federal law.

Views of responsible officials: Management agrees with the finding.

Corrective action plan: See attached.



August 16, 2021

To Whom it May Concern:

2021-001 – Significant Deficiency and Noncompliance – Funds Over Requested

Due to federal grant receivables not being received within 60 days due to cash not being requested and also due to federal grant accruals being understated in the PY due to incorrect reports and grant codes used, there has been a significant deficiency and noncompliance found.

The business Office will request Federal Funds on a more-timely bases and use proper grant codes for Federal Revenue. We will more accurately calculate federal grant accruals so they will not be understated in the future.

Anticipated completion date: June 30, 2021.

This will take effect immediately.

Marissa Boulton, Board President

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August 16, 2021

Management and the Board of Directors
Academic and Career Education Academy
Midland, MI

We have completed our audit of the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Academic and Career Education Academy as of and for the year ended June 30, 2021, and have issued our report dated August 16, 2021. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America, and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated June 1, 2021. Professional standards also require that we communicate to you the following information related to our audit.

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

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the School District are described in Note 1 of the financial statements. The Academy has adopted the following Governmental Accounting Standards Board Statements effective July 1, 2020:

- Statement No. 84, *Fiduciary Activities* improves the guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The criteria generally is on (1) is the government controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally will report fiduciary activities that are not held in a trust or similar arrangement that meets specific criteria.

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

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. There were no significant estimates in the financial statements.

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

Accounting Standards

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

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require that the auditor accumulate all known and likely misstatements identified during the audit, other than those the auditor believes to be trivial. The adjustments identified during the audit have been communicated to management and management has posted all adjustments.

In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Management has determined that the effects of the uncorrected misstatements noted below are immaterial both individually and, in the aggregate, qualitatively and quantitatively, to the financial statements taken as a whole.

Management did not request grant receivables within 60 days of year end and incorrect grant codes were used for the year ended June 30, 2020. This resulted in beginning net assets being understated and change in net assets being overstated by \$4,328 for the year ended June 30, 2021.

Disagreements with Management

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

Management Representations

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

Management's Consultations with Other Accountants

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

Other Audit Findings or Issues

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

Emphasis of Matters in Independent Auditors' Report

Our report will include the following emphasis of matter paragraph:

Adoption of New Accounting Standards

As described in Note 1 to the financial statements, during the year ended June 30, 2021, the Academy adopted GASB Statement No. 84, *Fiduciary Activities*. Our opinions are not modified with respect to this matter.

Other Reports

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

Report on Required Supplementary Information

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

Report on Other Supplementary Information

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

Restriction on Use

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

Yeo & Yeo, P.C.

Midland, Michigan