

Academic and Career Education Academy

Financial Statements

June 30, 2022



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Members of the Board of Directors

Marisa Boulton

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David Koch

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Independent Auditors' Report

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

Opinions

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

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Academic and Career Education Academy, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof 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 Academic and Career Education 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 misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 14, 2022 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 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, MI
September 14, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

**Academic and Career Education Academy
Management's Discussion and Analysis
Year Ended June 30, 2022**

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, 2022.

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 2022 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, 2022**

SUMMARY OF NET POSITION:

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

	2022	2021
Assets		
Current assets	\$ 405,511	\$ 383,925
Liabilities		
Current liabilities	20,392	69,775
Net position		
Restricted for food service	11,660	7,220
Unrestricted	373,459	312,118
Total net position	385,119	319,338

Analysis of Financial Position:

During the fiscal year ended June 30, 2022, the Academy's net position increased by \$65,781. Revenues from General Fund operations exceeded expenditures by \$62,575, for the fiscal year ended June 30, 2022. See the section entitled Results of Operations, below, for further discussion on General Fund operations.

Results of Operations:

Revenues

	2022	2021
Program Revenues		
Charges for services	\$ 58	\$ 13,838
Operating grants and contributions	264,107	216,965
General Revenues		
State aid- unrestricted	884,336	747,192
Other	3,652	26,931
Total revenues	\$ 1,152,153	\$ 1,004,926

Expenses

	2022	2021
Instruction	\$ 392,373	\$ 352,000
Supporting services	669,650	591,642
Community services	20	73
Food services	23,037	10,339
Student and school activities	1,292	569
Total expenses	1,086,372	954,623
Change in net position	65,781	50,303
Net position- beginning	319,338	269,035
Net position - ending	\$ 385,119	\$ 319,338

**Academic and Career Education Academy
Management's Discussion and Analysis
Year Ended June 30, 2022**

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, 2022, 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 \$8,700 per pupil for fiscal year 2022, which was an increase from \$8,111 for fiscal year 2021.

Student Enrollment

The blended student count is based on 90% of the Academy's October 2021 count of 101 and 10% of the February 2022 count of 86.

Operating Grants

The Academy received \$236,283 in operating grants during the fiscal year.

Charges for Services

Food service fund revenue amounted to \$27,824 during 2021-2022. Federal portion of the food service revenue was to \$26,835, which was received for meal reimbursements.

Expenses:

Academy-wide expenses totaled \$1,086,372 for fiscal year 2022.

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 2022, the budget was amended in June.

General Fund Revenues

Total revenues original budget	\$ 972,154
Total revenues final budget	1,171,551
Total revenues actual	1,124,618

**Academic and Career Education Academy
Management's Discussion and Analysis
Year Ended June 30, 2022**

Decrease in Revenues vs. Budget

The Academy's actual general fund revenue were less than the final budget by \$46,933, a variance of 10%.

The Academy experienced an increase in revenue of \$134,262 or a 13.55% increase from the fiscal year 2021. Increase due to an increase in per pupil funding and grants.

General Fund Expenditures

Total expenditures original budget	\$	1,023,861
Total expenditures final budget		1,117,023
Total expenditures actual		1,062,043

Decrease in Expenditures vs. Budget

The Academy's actual general fund expenses were less than the final budget by \$54,980, a variance of 5%.

Careful monitoring of overall expenditures contributed to the final budget exceeding actual expenditures. Expenses increased by 12.53% from the previous fiscal year. Increase due to an increase in supplies.

Economic Factors and Next Year's Budget

We considered many factors when setting the Academy's 2022-23 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 2022-23 budget plans for a foundation allowance of \$9,150 per pupil. The District is projecting an October count of 100 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, 2022

	<u>Governmental Activities</u>
Assets	
Cash	\$ 241,342
Due from other governmental units	<u>164,169</u>
 Total assets	 <u>405,511</u>
Liabilities	
Accounts payable	9,143
Unearned revenue	<u>11,249</u>
 Total liabilities	 <u>20,392</u>
Net position	
Restricted for	
Food service	11,660
Unrestricted	<u>373,459</u>
 Total net position	 <u>\$ 385,119</u>

See Accompanying Notes to the Financial Statements

Academic and Career Education Academy
Governmental Funds
Balance Sheet
June 30, 2022

	General Fund	Food Service	Nonmajor Governmental Fund Student/School Activity Fund	Total Governmental Funds
Assets				
Cash	\$ 224,219	\$ 16,553	\$ 570	\$ 241,342
Due from other governments	164,166	3	-	164,169
Due from other funds	-	1,862	-	1,862
Total assets	\$ 388,385	\$ 18,418	\$ 570	\$ 407,373
Liabilities and fund balances				
Liabilities				
Accounts payable	\$ 9,126	\$ 14	\$ 3	\$ 9,143
Due to other funds	1,862	-	-	1,862
Unearned revenue	4,505	6,744	-	11,249
Total liabilities	15,493	6,758	3	22,254
Fund balances				
Restricted for food service	-	11,660	-	11,660
Committed for student and school activities	-	-	567	567
Unassigned	372,892	-	-	372,892
Total fund balances	372,892	11,660	567	385,119
Total liabilities and fund balances	\$ 388,385	\$ 18,418	\$ 570	\$ 407,373

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, 2022

	General Fund	Food Service	Nonmajor Governmental Fund Student/School Activity Fund	Total Governmental Funds
Revenues				
Local sources	\$ 45,319	\$ 49	\$ 58	\$ 45,426
State sources	932,637	593	-	933,230
Federal sources	146,662	26,835	-	173,497
Total revenues	<u>1,124,618</u>	<u>27,477</u>	<u>58</u>	<u>1,152,153</u>
Expenditures				
Current				
Education				
Instruction	392,373	-	-	392,373
Supporting services	669,650	-	-	669,650
Food services	-	23,037	-	23,037
Community services	20	-	-	20
Student and school services	-	-	1,292	1,292
Total expenditures	<u>1,062,043</u>	<u>23,037</u>	<u>1,292</u>	<u>1,086,372</u>
Net change in fund balances	62,575	4,440	(1,234)	65,781
Fund balances - beginning	<u>310,317</u>	<u>7,220</u>	<u>1,801</u>	<u>319,338</u>
Fund balances - ending	<u>\$ 372,892</u>	<u>\$ 11,660</u>	<u>\$ 567</u>	<u>\$ 385,119</u>

See Accompanying Notes to the Financial Statements

Academic and Career Education Academy
Notes to the Financial Statements
June 30, 2022

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, 2022

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 funds:

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

Food Service Fund – The Food Service Fund is used to record all transactions associated with food service activities administered by the Academy.

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 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.

Academic and Career Education Academy
Notes to the Financial Statements
June 30, 2022

Eliminations and Reclassifications

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

Adoption of New Accounting Standard

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.

Upcoming Accounting and Reporting Changes

Statement No. 96, *Subscription-Based Information Technology Arrangements*, is based on the standards established in Statement No. 87 *Leases*. This statement (1) defines a SBITA as a contract that conveys control of the right to use a SBITA vendor’s IT software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction (2) requires governments with SBITAs to recognize a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability, and (3) provides guidance related to outlays other than subscription payments, including implementation costs, and requirements for note disclosures related to a SBITA. This statement is effective for the year ending June 30, 2023.

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.

Academic and Career Education Academy
Notes to the Financial Statements
June 30, 2022

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
General Fund			
Pupil	\$ 87,994	\$ 89,377	\$ 1,383
General administration	13,802	16,039	2,237
Food Service			
Supplies and materials	22,806	23,037	231

Note 3 – Deposits

The breakdown between deposits for the Academy is as follows:

Deposits (checking, savings accounts)	\$ 241,132
Petty cash	<u>210</u>
Total	<u>\$ 241,342</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, 2022, the Academy's bank balance of \$241,821 was fully insured by FDIC.

Note 4 – Interfund Receivables, Payables

Individual interfund receivable and payable balances at year end were:

Payable Fund	Receivable Fund	Amount
General	Food Service	<u>\$ 1,862</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 – 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, 2022

Note 6 – Unearned Revenue

Governmental funds report unearned revenue in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the components of unearned revenue are as follows:

Grant and categorical aid payments received prior to meeting all eligibility requirements	<u>\$ 11,249</u>
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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, 2022 amounted to \$814,619. The Academy rents its facilities from Education and Training Connection. The total rent payments under this agreement amounted to \$129,949 for the year ended June 30, 2022. In addition, the Academy paid \$14,254 to ETC for its allocable percentage of building operations. The Academy also had accounts payable to ETC of \$10,829 as of June 30, 2022.

REQUIRED SUPPLEMENTARY INFORMATION

Academic and Career Education Academy
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Local sources	\$ 2,000	\$ 61,470	\$ 45,319	\$ (16,151)
State sources	857,226	963,306	932,637	(30,669)
Federal sources	112,928	146,775	146,662	(113)
Total revenues	<u>972,154</u>	<u>1,171,551</u>	<u>1,124,618</u>	<u>(46,933)</u>
Expenditures				
Instruction				
Basic programs	332,000	381,079	359,661	(21,418)
Added needs	42,292	35,674	32,712	(2,962)
Supporting services				
Pupil	73,598	87,994	89,377	1,383
Instructional staff	13,472	11,267	8,331	(2,936)
General administration	14,910	13,802	16,039	2,237
School administration	194,227	201,066	192,189	(8,877)
Business	55,710	70,333	68,427	(1,906)
Operations and maintenance	180,630	203,831	186,973	(16,858)
Pupil transportation services	73,880	76,744	76,094	(650)
Central	40,681	35,152	32,220	(2,932)
Community services	1,320	81	20	(61)
Interest and other expenditures	1,141	-	-	-
Total expenditures	<u>1,023,861</u>	<u>1,117,023</u>	<u>1,062,043</u>	<u>(54,980)</u>
Net change in fund balances	(51,707)	54,528	62,575	8,047
Fund balances - beginning	<u>310,317</u>	<u>310,317</u>	<u>310,317</u>	<u>-</u>
Fund balances - ending	<u>\$ 258,610</u>	<u>\$ 364,845</u>	<u>\$ 372,892</u>	<u>\$ 8,047</u>

Academic and Career Education Academy
Required Supplemental Information
Budgetary Comparison Schedule - Food Service Fund
For the Year Ended June 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Local sources	\$ 680	\$ 205	\$ 49	\$ (156)
State sources	1,000	7,461	593	(6,868)
Federal sources	<u>11,901</u>	<u>26,979</u>	<u>26,835</u>	<u>(144)</u>
Total revenues	<u>13,581</u>	<u>34,645</u>	<u>27,477</u>	<u>(7,168)</u>
Expenditures				
Supplies and materials	<u>11,219</u>	<u>22,806</u>	<u>23,037</u>	<u>231</u>
Excess (deficiency) of revenues over expenditures	<u>2,362</u>	<u>11,839</u>	<u>4,440</u>	<u>(7,399)</u>
Net change in fund balance	2,362	11,839	4,440	(7,399)
Fund balance - beginning	<u>7,220</u>	<u>7,220</u>	<u>7,220</u>	<u>-</u>
Fund balance - ending	<u>\$ 9,582</u>	<u>\$ 19,059</u>	<u>\$ 11,660</u>	<u>\$ (7,399)</u>

OTHER REPORTS



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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, each major fund, and the aggregate remaining fund information of Academic and Career Education Academy, as of and for the year ended June 30, 2022, 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 September 14, 2022.

Report on 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 opinion 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Yeo & Yeo, P.C.

Midland, MI
September 14, 2022