

**Audited Financial Statements**

# **Conner Creek Academy East**

Roseville, Michigan

**June 30, 2019**

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## INDEPENDENT AUDITOR'S REPORT

### To the Board of Directors of Conner Creek Academy East

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Conner Creek Academy East as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Conner Creek Academy East'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.

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

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

#### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Conner Creek Academy East, as of June 30, 2019, 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.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information as 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 Conner Creek Academy East's basic financial statements. The combining and individual nonmajor fund financial statements, and schedules of revenues and expenditures, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, schedules of revenues and expenditures, and the schedule of expenditures of federal awards, are the responsibility of management and were derived from and relate 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, the combining and individual nonmajor fund financial statements, schedules of revenues and expenditures, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2019, on our consideration of Conner Creek Academy East'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 Conner Creek Academy East'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 Conner Creek Academy East's internal control over financial reporting and compliance.



Croskey Lanni, PC

## MANAGEMENT’S DISCUSSION AND ANALYSIS

Conner Creek Academy East is a Kindergarten through 12th grade Public School Academy located in Roseville and Warren, Michigan. This Management’s Discussion and Analysis, a requirement of GASB 34, is intended to be the Conner Creek Academy East administration’s discussion and analysis of the financial results for the fiscal year ended June 30, 2019.

### FINANCIAL HIGHLIGHTS OF THE ACADEMY

Table 1 - Basic Financial Information

	Current Fiscal Year	Prior Fiscal Year
State Aid Funding Per Pupil	\$ 7,871	\$ 7,631
Enrollment	924.22	959.63
General Fund Balance Increase/(Decrease)	\$ (390,265)	\$ 5,552
General Fund Balance as Percent of Unrestricted State Aid Revenue	5%	10%

### OVERVIEW OF THE FINANCIAL STATEMENTS

U.S. generally accepted accounting principles (GAAP) according to GASB 34 requires the reporting of two types of financial statements: Academy-wide Financial Statements and Fund Financial Statements.

#### FUND FINANCIAL STATEMENTS:

For the most part, the fund financial statements are comparable to general purpose financial statements. The primary difference is that the Account Groups: General Fixed Assets and General Long-Term Debt are no longer reported. The fund level statements are reported on a modified accrual basis. Only those assets that are “measurable” and “currently available” are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

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 Academy’s major instruction and instructional support activities are reported in the General Fund. Additional governmental activities are reported in their relevant Special Revenue Funds.

In the fund financial statement, capital assets purchased are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The current year’s payments of principal and interest on long-term obligations are recorded as expenditures. Future year’s debt obligations are not recorded.

The academy has one kind of fund:

Governmental fund – Most of the Academy’s basic services are included in governmental funds which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Academy’s programs. Because this information does not encompass the additional long-term focus of the academy-wide statements, we provide additional information with the governmental funds statement that explains the relationship (or differences) between them.

## ACADEMY WIDE FINANCIAL STATEMENTS:

The Academy-wide financial statements are maintained using the “full accrual” basis. They report all of the Academy’s assets and liabilities, both short and long term, regardless if they are “currently available” or not. For example, assets that are restricted for use in the Debt Funds solely for the payment of long term principal or interest are grouped with unrestricted assets of the General Fund. Capital assets and long-term obligations of the Academy are reported in the Statement of Net Position of the Academy-wide financial statements.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the Academy’s budget for the year. Figure A-1 shows how the various parts of the annual report are arranged and related to one another.

**Figure A-1 Organization of Conner Creek Academy East’s Annual Financial Report**

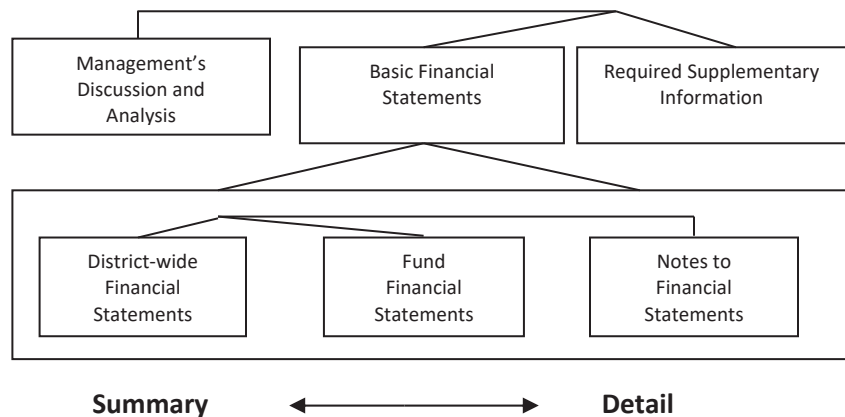


Figure A-2 summarizes the major features of the Academy’s financial statements, including the portion of the Academy’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights the structure and contents of each of the statements.

**Figure A – 2 Major Features of the Academy-Wide and Fund Financial Statements**

	<b>Academy-wide statements</b>	<b>Fund Financial Statements</b>
<b>Scope</b>	Entire academy (except fiduciary funds)	All activities of the academy that are not fiduciary
<b>Required financial statements</b>	* Statement of net position * Statement of activities	* Balance sheet * Statement of revenues, expenditures and changes in fund balances
<b>Accounting basis and measurement focus</b>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
<b>Type of asset/liability information</b>	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included
<b>Type of inflow/outflow information</b>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable

## FINANCIAL ANALYSIS OF THE ACADEMY AS A WHOLE

Table 2 - Financial Results

	Current Fiscal Year	Prior Fiscal Year
Ending General Fund Balance	\$ 406,171	\$ 796,436
Total General Fund Revenue	\$ 8,939,680	\$ 9,046,305
State Aid Foundation Allowance as percent of Academy Revenues	90%	90%
Total Cost of Instructional Programs	\$ 3,388,652	\$ 3,529,787
Instructional Expenditures as percent of Total Expenditures	37%	39%
Total Cost of Support/Operational Services	\$ 4,767,149	\$ 4,342,775
Support/Operational Services as percent of Total Expenditures	51%	48%
Total Expenditures transferred to Debt Service	\$ 1,124,567	\$ 1,130,315
Transfer to Debt Service as percent of Total Expenditures	12%	13%

## ACADEMY GOVERNMENTAL ACTIVITIES

### Summary of Net Position:

The following summarizes the net position at fiscal year ended June 30, 2019 and 2018:

Table 3 - Net Position Detail

	2019	2018
<b>Assets</b>		
Current Assets	\$ 3,872,402	\$ 4,320,911
Capital Assets	15,235,217	15,227,187
Less: Accumulated Depreciation	(4,045,757)	(3,760,343)
Capital Assets, Net Book Value	11,189,460	11,466,844
Total Assets and Deferred Outflows	\$ 15,061,862	\$ 15,787,755
<b>Liabilities</b>		
Current Liabilities	\$ 2,078,826	\$ 2,155,500
Long-term Liabilities	12,500,000	12,955,000
Total Liabilities and Deferred Inflows	\$ 14,578,826	\$ 15,110,500
<b>Net Position</b>		
Invested in Capital Assets, Net of Related Debt (Deficit)	\$ (1,765,540)	\$ (1,928,156)
Restricted for Debt Service	1,897,450	1,866,577
Unrestricted	351,126	738,834
Total Net Position	\$ 483,036	\$ 677,255



## Results of Operations:

For the fiscal years ended June 30, 2019 and 2018, the Academy wide results of operations were:

Table 4 - Change in Net Position

	2019		2018	
	Amount	% of Total	Amount	% of Total
<b>General Revenue:</b>				
State of Michigan Aid - All Sources	\$ 7,179,387	74.65%	\$ 7,237,100	74.49%
Other	31,016	0.32%	42,862	0.44%
Total General Revenue	7,210,403	74.97%	7,279,962	74.93%
<b>Program Revenue:</b>				
Charges for Services	88,986	0.93%	102,307	1.05%
Operating Grants - Federal and State	2,318,082	24.10%	2,333,047	24.01%
Total Program Revenue	2,407,068	25.03%	2,435,354	25.07%
Total Revenue	9,617,471	100.00%	9,715,316	100.00%
<b>Expenses:</b>				
Instruction and Instructional Services	3,388,652	34.54%	3,529,787	36.95%
Support Services	4,730,061	48.21%	4,306,279	45.08%
Food Service	697,363	7.11%	697,501	7.30%
Community Services	31,808	0.32%	30,596	0.32%
Unallocated Depreciation	285,414	2.91%	288,647	3.02%
Interest on Long-term Debt	678,392	6.91%	699,871	7.33%
Total Expenses	9,811,690	100.00%	9,552,681	100.00%
Change in Net Position	<u>\$ (194,219)</u>		<u>\$ 162,635</u>	

During the fiscal year ended June 30, 2019, the Academy's net position decreased by \$194,219 as compared to a net increase of \$162,635 in the prior fiscal year. The most significant difference between prior year and current year is the total general fund revenue remained steady but total general fund expenditures increased, primarily transportation expenses as the school decided to provide their own bus service instead of leasing the service. Additional factors affecting the change in net position during the year are discussed below.

### State of Michigan Aid and Other Factors affecting Revenue

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

- Per Student, Foundation Allowance: Annually, the State of Michigan sets the per student foundation allowance. The Conner Creek Academy East foundation allowance was \$7,871.
- Student Enrollment: The Academy's student enrollment for the fall count of 2018-19 was 924 students. To calculate total state aid to be provided by the foundation allowance, a system (Section 25) where the funding follows the student was used. This means adjustments were made to the current year fall count when students enrolled or unenrolled until the current year winter count to calculate the adjusted fall count. A blend of 90% of the adjusted current year fall count and 10% of the prior year spring count is multiplied by the Academy's foundation allowance.
- Total Section 25 adjustment was -7.21FTE or (\$56,750).

Subsequent to year end June 30, 2019, preliminary student enrollments for 2019-20 indicate that the 2019 fall student enrollment should remain at 2018-19 levels.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The Uniform Budget Act of the State of Michigan requires that the local Board of Directors approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year. Over the course of the year, the Academy revised the annual operating budget two times.

Changes were made in the second and fourth quarters to account change in student enrollment, federal funding, and changes in assumptions (e.g. staffing changes, instructional, transportation, food services and community services) since the original budget was adopted.

The Academy’s expenditures from General Fund operations exceeded revenues by \$390,265 for the fiscal year ended June 30, 2019.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

The Academy’s net investment in capital assets decreased by \$277,384 during the fiscal year. This can be summarized as follows:

Table 5 - Capital Assets

	Beginning		Ending	
	Balance 6/30/18	Additions	Disposals	Balance 6/30/19
Non-Depreciable Capital Assets (Land)	\$ 4,025,718	\$ -	\$ -	\$ 4,025,718
Building and Improvements	10,840,296	8,030	-	10,848,326
Furniture and Equipment	324,986	-	-	324,986
Computer	36,187	-	-	36,187
Less: Accumulated Depreciation	3,760,343	285,414	-	4,045,757
<b>Net Investment in Capital Assets</b>	<b>\$ 11,466,844</b>	<b>\$ (277,384)</b>	<b>\$ -</b>	<b>\$ 11,189,460</b>

**Depreciation Expense**

GASB 34 requires Public School Academies to maintain a record of annual depreciation expense and accumulated depreciation. The net increase in accumulated depreciation expense is a reduction in net assets in the entity wide financial statements. Depreciation is not recognized in the fund financial statements and has been noted as a reconciling item in the Academy’s financial statements.

For fiscal year ended June 30, 2019, the net increase in accumulated depreciation was \$285,414.

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of assets. In accordance with U.S. generally accepted accounting principles (GAAP), depreciation expense is recorded based on the original cost of the asset, less an estimated salvage value.

## Debt, Principal Payments

A summary of long-term debt service activities is as follows.

Table 6 - Debt, Principal Payments

	Balance 6/30/2018	New Financings	Principal Payments	Balance 6/30/2019
Revenue Bond	\$ 13,395,000	\$ -	\$ 440,000	\$ 12,955,000

## ECONOMIC FACTORS BEARING ON THE ACADEMY'S FUTURE

The Preliminary Budget for the 2019-20 Fiscal Year was adopted by the Board of Directors in June 2019. Few definite factors were known as the budget was being drafted, and others were unknown and needed to be projected with management's best estimates based on perceived interest from the community. Some key factors and estimates used in the 2019-20 budget preparation process include:

- An estimated increase in the state foundation allowance of \$100 per pupil, to \$7,971.
- Student enrollment of 950.

Since the Academy's revenue is heavily dependent on State funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to School Districts and Public School Academies. The State periodically holds revenue-estimating conferences to estimate what the State's available resources will be throughout the remainder of its fiscal year. In spite of the current economic uncertainties we remain cautiously confident that the State will find the resources to sufficiently fund current appropriations.

## CONTACTING THE ACADEMY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our students, parents and creditors with a general overview of the Academy's finances and to demonstrate the Academy's accountability for the money it receives. If you have questions about this report or need additional information, contact the Academy's office at 16911 Eastland, Roseville, MI 48066.

## CONNER CREEK ACADEMY EAST

### STATEMENT OF NET POSITION JUNE 30, 2019

#### ASSETS AND DEFERRED OUTFLOWS

##### Current Assets

Cash and cash equivalents	\$ 218,202
Investments - restricted for debt service	1,897,450
Due from other governmental units	1,620,685
Prepaid expenses	<u>136,065</u>
Total current assets	3,872,402

##### Capital Assets - Net of Accumulated Depreciation

11,189,460

Total assets and deferred outflows \$ 15,061,862

#### LIABILITIES, DEFERRED INFLOWS AND NET POSITION

##### Current Liabilities

Accounts payable	\$ 59,128
Notes payable	1,067,043
Other accrued expenses	497,655
Long-term debt - current portion	<u>455,000</u>
Total current liabilities	2,078,826

##### Long-Term Debt - Long-Term Portion

12,500,000

##### Net Position

Net investment in capital assets	(1,765,540)
Restricted for debt service	1,897,450
Unrestricted	<u>351,126</u>
Total net position	<u>483,036</u>
Total liabilities, deferred inflows and net position	<u>\$ 15,061,862</u>

See accompanying notes to financial statements

## CONNER CREEK ACADEMY EAST

### STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2019

		Program Revenues		Net (Expense) Revenues and Changes in Net Position
	Expenses	Charges for Services	Operating Grants	Government Type Activities
<b>Functions</b>				
Instruction				
Basic programs	\$ 2,282,931	\$ -	\$ 174,134	\$ (2,108,797)
Added needs	1,105,721	-	1,045,043	(60,678)
Support services				
Pupil support services	316,389	-	128,209	(188,180)
Instructional staff support services	242,603	-	149,675	(92,928)
General administration	493,971	-	-	(493,971)
School administration	1,059,029	-	23,679	(1,035,350)
Business support services	190,495	-	8,353	(182,142)
Operations and maintenance	1,074,555	-	111,022	(963,533)
Pupil transportation services	1,022,482	-	55,000	(967,482)
Central support services	52,837	-	29,635	(23,202)
Athletic activities	277,700	9,996	-	(267,704)
Food services	697,363	63,908	583,878	(49,577)
Community services	31,808	15,082	9,454	(7,272)
Unallocated depreciation	285,414	-	-	(285,414)
Unallocated interest	678,392	-	-	(678,392)
	<u>\$ 9,811,690</u>	<u>\$ 88,986</u>	<u>\$ 2,318,082</u>	<u>(7,404,622)</u>
<b>General Purpose Revenues</b>				
State school aid - unrestricted				7,179,387
Miscellaneous revenues				31,016
				<u>7,210,403</u>
Change in net position				(194,219)
Net position - July 1, 2018				<u>677,255</u>
Net position - June 30, 2019				<u>\$ 483,036</u>

See accompanying notes to financial statements

## CONNER CREEK ACADEMY EAST

### COMBINED BALANCE SHEET – ALL GOVERNMENTAL FUNDS JUNE 30, 2019

#### ASSETS

	General	Debt Service	Non-Major Special Revenue	Total
Cash and cash equivalents	\$ 217,381	\$ -	\$ 821	\$ 218,202
Investments	-	1,897,450	-	1,897,450
Due from other funds	25,787	-	-	25,787
Due from other governmental units	1,595,719	-	24,966	1,620,685
Prepaid expenses	136,065	-	-	136,065
	<u>\$ 1,974,952</u>	<u>\$ 1,897,450</u>	<u>\$ 25,787</u>	<u>\$ 3,898,189</u>
Total assets	<u>\$ 1,974,952</u>	<u>\$ 1,897,450</u>	<u>\$ 25,787</u>	<u>\$ 3,898,189</u>

#### LIABILITIES AND FUND BALANCE

##### Liabilities

Accounts payable	\$ 59,128	\$ -	\$ -	\$ 59,128
Notes payable	1,067,043	-	-	1,067,043
Due to other funds	-	-	25,787	25,787
Other accrued expenses	441,886	-	-	441,886
	<u>1,568,057</u>	<u>-</u>	<u>25,787</u>	<u>1,593,844</u>
Total liabilities	1,568,057	-	25,787	1,593,844

##### Deferred Inflows of Resources -

Unavailable Revenue	724	-	-	724
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##### Fund Balance

Nonspendable	136,065	-	-	136,065
Restricted	-	1,897,450	-	1,897,450
Unassigned	270,106	-	-	270,106
	<u>406,171</u>	<u>1,897,450</u>	<u>-</u>	<u>2,303,621</u>
Total fund balance	406,171	1,897,450	-	2,303,621

Total liabilities and  
fund balance

	<u>\$ 1,974,952</u>	<u>\$ 1,897,450</u>	<u>\$ 25,787</u>	<u>\$ 3,898,189</u>
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See accompanying notes to financial statements

## CONNER CREEK ACADEMY EAST

### RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET POSITION OF GOVERNMENTAL ACTIVITIES JUNE 30, 2019

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

<b>Total Governmental Fund Balances</b>	\$ 2,303,621
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$15,235,217 and the accumulated depreciation is \$4,045,757.	11,189,460
Interest is not payable until due in governmental activities and, therefore, is not recorded in the funds.	(55,769)
Deferred inflows of resources (unavailable revenue) not available to benefit the current period and are not reported in the statement of net position.	724
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(12,955,000)</u>
<b>Net Position of Governmental Activities</b>	<u>\$ 483,036</u>

See accompanying notes to financial statements

## CONNER CREEK ACADEMY EAST

### STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – ALL GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2019

	<u>General</u>	<u>Debt Service</u>	<u>Non-Major Special Revenue</u>	<u>Total</u>
<b>Revenues</b>				
Local sources	\$ 26,813	\$ 29,281	\$ 63,908	\$ 120,002
State sources	8,072,561	-	19,799	8,092,360
Federal sources	817,295	-	564,079	1,381,374
Interdistrict sources	23,011	-	-	23,011
Total governmental fund revenues	<u>8,939,680</u>	<u>29,281</u>	<u>647,786</u>	<u>9,616,747</u>
<b>Expenditures</b>				
Instruction				
Basic programs	2,282,931	-	-	2,282,931
Added needs	1,105,721	-	-	1,105,721
Support services				
Pupil support services	316,389	-	-	316,389
Instructional staff support services	242,603	-	-	242,603
General administration	493,971	-	-	493,971
School administration	1,059,029	-	-	1,059,029
Business support services	187,745	2,750	-	190,495
Operations and maintenance	1,074,555	-	-	1,074,555
Pupil transportation services	1,022,482	-	-	1,022,482
Central support services	52,837	-	-	52,837
Athletic activities	277,700	-	-	277,700
Food services	-	-	697,363	697,363
Community services	31,808	-	-	31,808
Capital outlay	8,030	-	-	8,030
Debt principal and interest	-	1,120,225	-	1,120,225
Total governmental fund expenditures	<u>8,155,801</u>	<u>1,122,975</u>	<u>697,363</u>	<u>9,976,139</u>
Excess (deficiency) of revenues over expenditures	783,879	(1,093,694)	(49,577)	(359,392)
<b>Other Financing Sources (Uses)</b>				
Operating transfers in	-	1,124,567	49,577	1,174,144
Operating transfers out	(1,174,144)	-	-	(1,174,144)
Total other financing sources (uses)	<u>(1,174,144)</u>	<u>1,124,567</u>	<u>49,577</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	(390,265)	30,873	-	(359,392)
Fund balance - July 1, 2018	<u>796,436</u>	<u>1,866,577</u>	<u>-</u>	<u>2,663,013</u>
Fund balance - June 30, 2019	<u>\$ 406,171</u>	<u>\$ 1,897,450</u>	<u>\$ -</u>	<u>\$ 2,303,621</u>

See accompanying notes to financial statements



## CONNER CREEK ACADEMY EAST

### RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2019

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

<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$	(359,392)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation and amortization expense. This is the amount by which capital outlays exceeded depreciation and amortization in the current period.

Capital outlay	\$	8,030	
Depreciation and amortization expense		<u>(285,414)</u>	(277,384)

Revenue is reported in the statement of activities when earned, but not reported in the funds until collected or collectible within 60 days of year end.		724
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The governmental funds report loan proceeds as an other financing source, while repayment of loan principal is reported as an expenditure. Interest is recognized as an expenditure in the governmental funds when it is due. The net effect of these differences in the treatment of general loan obligations is as follows:

Repayment of loan principal	\$	440,000	
Interest expense		<u>1,833</u>	<u>441,833</u>

<b>Change in Net Position of Governmental Activities</b>	<b>\$</b>	<b><u>(194,219)</u></b>
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See accompanying notes to financial statements

**CONNER CREEK ACADEMY EAST**

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUND  
JUNE 30, 2019

**ASSETS**

Cash and cash equivalents	<u>\$ 21,481</u>
Total assets	<u><u>\$ 21,481</u></u>

**LIABILITIES**

Due to student groups	<u>\$ 21,481</u>
Total liabilities	<u><u>\$ 21,481</u></u>

See accompanying notes to financial statements

## CONNER CREEK ACADEMY EAST

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### **Reporting Entity**

Conner Creek Academy East was formed as a public school academy pursuant to the Michigan School Code of 1976, as amended by Act No. 362 of the Public Acts of 1993 and Act No. 416 of the Public Acts of 1994. The Academy filed articles of incorporation as a nonprofit corporation pursuant to the provisions of the Michigan Nonprofit Corporation Act of 1982, as amended, on June 9, 1999, and began operation in July 1999.

In July 2015, the Academy entered into a contract with Ferris State University’s Board of Trustees through June 30, 2018 and renewed in May 2018 through June 30, 2021 to charter a public school academy. The contract requires the Academy to act exclusively as a governmental agency and not undertake any action inconsistent with its status as an entity authorized to receive state school aid funds pursuant to the State constitution. The University’s Board of Trustees is the fiscal agent for the Academy and is responsible for overseeing the Academy’s compliance with the contract and all applicable laws. The Academy pays Ferris State University’s Board of Trustees three percent of state aid as administrative fees. Total administrative fees paid for the year ended June 30, 2019 were approximately \$219,150.

In July 2015, the Academy entered into an agreement with CSP Management, Inc., doing business as Partners Solutions – “PS” through June 30, 2018 and renewed in July 2018 through June 30, 2021. Under the terms of this agreement, PS provides a variety of services including payroll, other human resource services, and various business services. The Academy is obligated to pay PS three and a half percent of its gross payroll expenses and a flat fee of \$50,000 for the business services. The total paid for these services amounted to approximately \$213,670 for the year ended June 30, 2019.

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

#### **Fund Financial Statements**

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

## CONNER CREEK ACADEMY EAST

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2019

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

#### Basis of Presentation – Fund Accounting

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

#### Governmental Funds

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

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

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

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

**Capital Projects Fund** - The capital projects fund, which the Academy does not currently maintain, accounts for financial resources to be used for the acquisition, construction, or improvement of capital facilities.

**Fiduciary Fund** - The fiduciary fund is used to account for assets held by the Academy in a trustee capacity or as an agent. The agency fund is custodial in nature and does not involve the measurement of results of operations.

**Activity (Agency) Fund** - The Academy presently maintains an activity fund to record the transactions of a student group for school and school-related purposes. The fund is segregated and held in trust for the students.

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

- a. Revenue that is both measurable and available for use to finance operations is recorded as revenue when earned. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Academy considers revenues to be available if they are collected within sixty days of the end of the current fiscal period.

## CONNER CREEK ACADEMY EAST

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2019

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

- b. Payments for inventoriable types of supplies, which are not significant at year end, are recorded as expenditures at the time of purchase.
- c. Principal and interest of general long-term debt are not recorded as expenditures until their due dates.
- d. The State of Michigan utilizes a foundation allowance funding approach, which provides for specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenue from state sources is primarily governed by the School Aid Act and the School Code of Michigan. The state portion of the foundation is provided from the State's School Aid Fund and is recognized as revenue in accordance with state law. A major portion of the Academy's revenue is derived from this state aid. As such, the Academy is considered to be economically dependent on this aid. The Academy's existence is dependent upon qualification for such aid.

### Government-Wide Financial Statements

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

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

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

## **CONNER CREEK ACADEMY EAST**

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2019

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government - wide financial statements.

#### **Cash and Cash Equivalents**

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

#### **Receivables**

Receivables at June 30, 2019 consist primarily of state school aid due from the State of Michigan and the federal government. All receivables are expected to be fully collected in July and August of 2019 and are considered current for the purposes of these financial statements.

#### **Prepaid Assets**

Payments made to vendors for services that will benefit periods beyond June 30, 2019, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

#### **Capital Assets and Depreciation**

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

## CONNER CREEK ACADEMY EAST

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2019

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

All reported capital assets, with the exception of land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

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

#### **Accrued Liabilities and Long-Term Obligations**

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

#### **Net Position**

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

#### **Fund Equity**

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

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

## CONNER CREEK ACADEMY EAST

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2019

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

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

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

#### Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

### NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. State law requires the Academy to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. The Academy is required by law to adopt a general fund budget. During the year ended June 30, 2019 the budget was amended in a legally permissible manner. Comparison of board approved appropriations to actual expenditures is detailed on page 21 of these financial statements.



## CONNER CREEK ACADEMY EAST

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2019

### NOTE 3 - DEPOSITS AND INVESTMENTS

As of June 30, 2019, the Academy had the following investments:

<u>Type</u>	<u>S&amp;P Rating</u>	<u>Maturities</u>	<u>Carrying Value</u>
Deposits:			
Demand deposits			\$ 239,683
Investments:			
U.S. Treasury and agency obligations	AAAm	Various	<u>1,897,450</u>
Total deposits and investments			<u>\$ 2,137,133</u>

The above amounts are reported in the financial statements as follows:

Deposits:			
Cash - General fund			\$ 217,381
Cash - Special revenue fund			821
Cash - Fiduciary fund			<u>21,481</u>
Total deposits			239,683
Investments:			
Investments - Debt service fund			<u>1,897,450</u>
Total deposits and investments			<u>\$ 2,137,133</u>

#### Interest Rate Risk

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

#### Credit Risk

State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2019, the Academy's investments were rated AAAM by Standards & Poor's and Aaa by Moody's Investors Service.

## CONNER CREEK ACADEMY EAST

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2019

### NOTE 3 - DEPOSITS AND INVESTMENTS - Continued

#### Concentration of Credit Risk

The Academy will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Academy's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. More than 5% of the Academy's investments are in pooled investment accounts which represents 100% of the Academy's total investments.

#### Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. As of June 30, 2019, \$58,552 of the Academy's cash was exposed to custodial credit risk. All cash balances were uncollateralized as of June 30, 2019.

#### Custodial Credit Risk - Investments

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

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

#### Foreign Currency Risk

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

#### Fair Value

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

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

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

## CONNER CREEK ACADEMY EAST

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2019

### NOTE 3 - DEPOSITS AND INVESTMENTS - Continued

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

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

### NOTE 4 – DUE FROM OTHER GOVERNMENTAL UNITS

Amounts due from other governmental units consist of the following:

State sources	\$	1,471,739
Federal sources		<u>148,946</u>
Total	\$	<u><u>1,620,685</u></u>

### NOTE 5 - CAPITAL ASSETS

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

	<u>Balance</u> <u>July 1, 2018</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2019</u>
Capital assets not subject to depreciation				
Land	\$ 4,025,718	\$ -	\$ -	\$ 4,025,718
Capital assets subject to depreciation				
Building and improvements	10,840,296	8,030	-	10,848,326
Furniture and equipment	324,986	-	-	324,986
Computer	<u>36,187</u>	<u>-</u>	<u>-</u>	<u>36,187</u>
Sub-total	15,227,187	8,030	-	15,235,217
Accumulated depreciation				
Building and improvements	3,423,803	277,883	-	3,701,686
Furniture and equipment	300,354	7,531	-	307,885
Computer	<u>36,186</u>	<u>-</u>	<u>-</u>	<u>36,186</u>
Sub-total	<u>3,760,343</u>	<u>285,414</u>	<u>-</u>	<u>4,045,757</u>
Total net capital assets	<u>\$ 11,466,844</u>	<u>\$ (277,384)</u>	<u>\$ -</u>	<u>\$ 11,189,460</u>

## CONNER CREEK ACADEMY EAST

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2019

### NOTE 5 - CAPITAL ASSETS - Continued

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

### NOTE 6 – NOTES PAYABLE

#### Loan Information

	Interest Rate	Maturity Date	Other
SAAN 17/18 - 1	5.21%	July, 2018	Paid in full
SAAN 17/18 - 2	6.20%	August, 2018	Paid in full
SAAN 18/19 - 1	6.27%	July, 2019	Issued to provide funds to Academy to finance school operations; secured by future state aid payments
SAAN 18/19 - 2	6.19%	August, 2019	Issued to provide funds to Academy to finance school operations; secured by future state aid payments

#### Loan Activity

	Balance July 1, 2018	Additions	Retirements and Payments	Balance June 30, 2019
SAAN 17/18 - 1	\$ 224,000	\$ -	\$ 224,000	\$ -
SAAN 17/18 - 2	925,000	-	925,000	-
SAAN 18/19 - 1	-	2,500,000	2,045,457	454,543
SAAN 18/19 - 2	-	1,250,000	637,500	612,500
Total notes payable	<u>\$ 1,149,000</u>	<u>\$ 3,750,000</u>	<u>\$ 3,831,957</u>	<u>\$ 1,067,043</u>

### NOTE 7 – OTHER ACCRUED EXPENSES

Other accrued expenses as of June 30, 2019 may be summarized as follows:

	Net Position	Funds
Purchased services - payroll and benefits	\$ 397,440	\$ 397,440
University oversight fee	39,033	39,033
Interest	61,182	5,413
Total other accrued expenses	<u>\$ 497,655</u>	<u>\$ 441,886</u>

**CONNER CREEK ACADEMY EAST**

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2019

**NOTE 8 - LONG-TERM OBLIGATIONS PAYABLE**

The following is a summary of long-term obligations for the Academy during the year ended June 30, 2019:

**Loan Information**

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Other</u>
Revenue bond	5%	June, 2037	Collateralized by a mortgage on the Academy's facility as well as a pledge for 20% of the State school aid payments and funds held in trust for debt service

**Loan Activity**

	<u>Balance July 1, 2018</u>	<u>Additions</u>	<u>Retirements and Payments</u>	<u>Balance June 30, 2019</u>	<u>Due Within One Year</u>
Revenue bond	\$ 13,395,000	\$ -	\$ 440,000	\$ 12,955,000	\$ 455,000

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

	<u>Principal</u>	<u>Interest</u>
2020	\$ 455,000	\$ 669,225
2021	480,000	646,475
2022	500,000	622,475
2023	525,000	597,475
2024	560,000	571,225
2025 - 2029	3,235,000	2,406,938
2030 - 2034	4,150,000	1,476,563
2035 - 2037	3,050,000	325,763

## CONNER CREEK ACADEMY EAST

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2019

### NOTE 9 – OPERATING LEASES

Lease Information

	<u>Maturity Date</u>	<u>Approximate Payment</u>	<u>Other</u>
Facilities	June, 2023	\$12,419 monthly	In addition to the monthly lease amount, the Academy shall also pay property taxes passed through from the landlord. The lease automatically renews for five years if not terminated.

The approximate amount of lease obligations coming due during the next four years is as follows:

	<u>Facilities</u>
2020	\$ 149,028
2021	149,028
2022	149,028
2023	149,028

Total lease expense included in the statement of activities for the year ended June 30, 2019 amounted to approximately \$196,980.

### NOTE 10 - INTERFUND TRANSFERS

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

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>
Transfer In	\$ -	\$ 49,577	\$ 1,124,567
Transfer Out	1,174,144	-	-

As stipulated by the Academy's revenue bond agreement as described in Note 8, the Academy must transfer 20% of its state aid to a trustee. The trustee retains the required portion for debt service and returns the remainder to the Academy. The general fund also subsidizes the Special Revenue Funds' lunch activities. These above transactions account for the major activity in the Academy's interfund transfer accounts.

## **CONNER CREEK ACADEMY EAST**

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2019

### **NOTE 11 - RISK MANAGEMENT**

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

# SUPPLEMENTARY INFORMATION



## CONNER CREEK ACADEMY EAST

### REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Revenues</b>				
Local sources	\$ 54,400	\$ 36,150	\$ 26,813	\$ (9,337)
State sources	8,219,627	8,072,633	8,072,561	(72)
Federal sources	784,433	836,629	817,295	(19,334)
Interdistrict sources	<u>26,676</u>	<u>26,676</u>	<u>23,011</u>	<u>(3,665)</u>
Total general fund revenues	9,085,136	8,972,088	8,939,680	(32,408)
<b>Expenditures</b>				
Instruction				
Basic programs	2,282,052	2,365,569	2,282,931	(82,638)
Added needs	1,390,775	1,161,483	1,105,721	(55,762)
Support services				
Pupil support services	331,295	319,432	316,389	(3,043)
Instructional staff support services	82,123	242,360	242,603	243
General administration	486,052	492,190	493,971	1,781
School administration	1,138,476	1,064,638	1,059,029	(5,609)
Business support services	154,220	180,512	187,745	7,233
Operations and maintenance	968,333	1,095,185	1,074,555	(20,630)
Pupil transportation services	760,000	1,036,561	1,022,482	(14,079)
Central support services	72,758	53,061	52,837	(224)
Athletic activities	230,974	277,025	277,700	675
Community services	34,854	26,886	31,808	4,922
Capital outlay	<u>-</u>	<u>-</u>	<u>8,030</u>	<u>8,030</u>
Total general fund expenditures	<u>7,931,912</u>	<u>8,314,902</u>	<u>8,155,801</u>	<u>(159,101)</u>
Excess (deficiency) of revenues over expenditures	1,153,224	657,186	783,879	126,693
<b>Other Financing Sources (Uses)</b>				
Operating transfers out	<u>(1,153,224)</u>	<u>(1,188,663)</u>	<u>(1,174,144)</u>	<u>14,519</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	-	(531,477)	(390,265)	141,212
Fund balance - July 1, 2018	<u>796,436</u>	<u>796,436</u>	<u>796,436</u>	<u>-</u>
Fund balance - June 30, 2019	<u>\$ 796,436</u>	<u>\$ 264,959</u>	<u>\$ 406,171</u>	<u>\$ 141,212</u>

## CONNER CREEK ACADEMY EAST

### SCHEDULE OF REVENUES – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2019

#### Local Sources

Other local revenues	\$ 26,813
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#### State Sources

At risk	708,818
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Special education	160,677
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State aid	<u>7,203,066</u>
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Total state sources	8,072,561
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#### Federal Sources

IDEA	160,337
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Title I	539,617
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Title II A	88,583
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Title IV	<u>28,758</u>
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Total federal sources	817,295
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#### Interdistrict Sources

<u>23,011</u>
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Total general fund revenues	<u>\$ 8,939,680</u>
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## CONNER CREEK ACADEMY EAST

### SCHEDULE OF EXPENDITURES – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2019

#### Basic Programs

Purchased services	\$ 2,144,007
Rentals	45,184
Supplies and materials	84,114
Other expenditures	<u>9,626</u>
Total basic programs	2,282,931

#### Added Needs

Purchased services	1,052,062
Rentals	709
Other purchased services	17,755
Supplies and materials	<u>35,195</u>
Total added needs	1,105,721

#### Pupil Support Services

Guidance services	131,061
Health services	10,776
Psychological services	50,000
Speech pathology and audiology	77,040
Social work services	<u>47,512</u>
Total pupil support services	316,389

#### Instructional Staff Support Services

Purchased services	242,603
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#### General Administration

Purchased services	488,682
Other expenditures	<u>5,289</u>
Total general administration	493,971

## CONNER CREEK ACADEMY EAST

### SCHEDULE OF EXPENDITURES – GENERAL FUND - CONTINUED FOR THE YEAR ENDED JUNE 30, 2019

#### **School Administration**

Purchased services	979,473
Rentals	1,945
Supplies and materials	71,154
Other expenditures	6,457

Total school administration 1,059,029

#### **Business Support Services**

Purchased services	70,117
Rentals	572
Other expenditures	117,056

Total business support services 187,745

#### **Operations and Maintenance**

Purchased services	558,390
Repairs and maintenance	202,698
Rentals	196,984
Supplies and materials	105,103
Non-depreciable capital assets	11,380

Total operations and maintenance 1,074,555

#### **Pupil Transportation Services**

Purchased services	373,272
Rentals	610,318
Supplies and materials	38,892

Total pupil transportation services 1,022,482

#### **Central Support Services**

Purchased services	52,837
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## CONNER CREEK ACADEMY EAST

### SCHEDULE OF EXPENDITURES – GENERAL FUND - CONTINUED FOR THE YEAR ENDED JUNE 30, 2019

#### **Athletic Activities**

Purchased services	159,637
Rentals	7,550
Supplies and materials	107,713
Other expenditures	<u>2,800</u>

Total athletic activities 277,700

#### **Community Services**

Purchased services	25,643
Supplies and materials	<u>6,165</u>

Total community services 31,808

#### **Capital Outlay**

	<u>8,030</u>
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Total general fund expenditures \$ 8,155,801

# APPENDIX

## Federal Awards Report



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

**To the Board of Directors  
of Conner Creek Academy East**

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 Conner Creek Academy East, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Conner Creek Academy East's basic financial statements, and have issued our report thereon dated October 30, 2019.

**Internal Control over Financial Reporting**

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

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

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

## Compliance and Other Matters

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

## Purpose of this Report

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

A handwritten signature in blue ink that reads "Croskey Lanni, PC". The signature is written in a cursive style.

Croskey Lanni, PC

Rochester, Michigan  
October 30, 2019





**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

**To the Board of Directors  
of Conner Creek Academy East**

We have audited the Conner Creek Academy East's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Conner Creek Academy East's major federal programs for the year ended June 30, 2019. Conner Creek Academy East's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Conner Creek Academy East's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Conner Creek Academy East's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Conner Creek Academy East's compliance.

***Opinion on Each Major Federal Program***

In our opinion, Conner Creek Academy East complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

## Report on Internal Control over Compliance

Management of Conner Creek Academy East is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Conner Creek Academy East's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Conner Creek Academy East's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Croskey Lanni, PC

Rochester, Michigan  
October 30, 2019

## CONNER CREEK ACADEMY EAST

### SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2019

Program Title/Project Number Subrecipient Name	Grant/ Project Number	CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue at July 1, 2018	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2019	Current Year Cash Transferred To Subrecipient
<b>Clusters:</b>										
<b>Child Nutrition Cluster - U.S. Department of Agriculture -</b>										
<b>Passed Through Michigan Department of Education:</b>										
<b>Noncash Assistance (Commodities)-</b>										
National Lunch Program Bonus										
Commodities 2018-19	N/A	10.555	\$ 34,519	\$ -	\$ -	\$ -	\$ 34,519	\$ 34,519	\$ -	\$ -
<b>Cash Assistance:</b>										
National School Lunch Program 2018-19	181960/ 191960	10.555	309,670	-	-	-	309,670	309,670	-	-
National School Lunch Program (including commodities) Subtotal		10.555	344,189	-	-	-	344,189	344,189	-	-
National School Breakfast Program 2018-19	181970/ 191970	10.553	185,863	-	-	-	185,863	185,863	-	-
Summer Food Service Program 2018-19	180900/ 181900	10.559	9,907	-	-	-	9,907	9,907	-	-
<b>Total Child Nutrition Cluster</b>			539,959	-	-	-	539,959	539,959	-	-
<b>Special Education Cluster - U.S. Department of Education -</b>										
<b>Passed through the Macomb ISD</b>										
<b>IDEA Flowthrough:</b>										
IDEA Flowthrough 1718	180450	84.027A	172,479	172,479	65,806	-	65,806	-	-	-
IDEA Flowthrough 1819	190450	84.027A	160,337	-	-	-	98,342	160,337	61,995	-
<b>Total Special Education Cluster</b>			332,816	172,479	65,806	-	164,148	160,337	61,995	-

See accompanying notes to schedule of expenditures of federal awards

## CONNER CREEK ACADEMY EAST

### SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - Continued FOR THE YEAR ENDED JUNE 30, 2019

Program Title/Project Number Subrecipient Name	Grant/ Project Number	CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue at July 1, 2018	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2019	Current Year Cash Transferred To Subrecipient
<b>Other Federal Awards:</b>										
<b>Passed Through the Michigan Department of Education:</b>										
<b>Fresh Fruit and Vegetable Program:</b>										
Fresh Fruit and Vegetable Program 2018-19	180950/ 190950	10.582	40,770	-	-	-	24,120	24,120	-	-
<b>Title I Part A:</b>										
Title I Part A 1718	181530	84.010	583,514	573,844	57,985	-	57,332	(653)	-	-
Title I Part A 1819	191530	84.010	547,138	-	-	-	478,892	540,994	62,102	-
<b>Total Title I Part A</b>			1,130,652	573,844	57,985	-	536,224	540,341	62,102	-
<b>Title II Part A - Supporting Effective Instruction:</b>										
Title II Part A 1718	180520	84.367	83,701	83,701	1,988	-	1,988	-	-	-
Title II Part A 1819	190520	84.367	89,805	-	-	-	85,595	88,583	2,988	-
<b>Total Title II Part A</b>		84.367	173,506	83,701	1,988	-	87,583	88,583	2,988	-
<b>Title IV Part A - Student Support and Academic Enrichment:</b>										
Title IV Part A 1718	180750	84.424	10,000	9,459	459	-	459	-	-	-
Title IV Part A 1819	190750	84.424	38,999	-	-	-	28,758	28,758	-	-
<b>Total Title II Part A</b>		84.424	48,999	9,459	459	-	29,217	28,758	-	-
<b>Total Noncluster Programs Passed Through the Michigan Department of Education</b>			1,393,927	667,004	60,432	-	677,144	681,802	65,090	-
<b>Total Federal Awards</b>			<u>\$2,266,702</u>	<u>\$ 839,483</u>	<u>\$ 126,238</u>	<u>\$ -</u>	<u>\$1,381,251</u>	<u>\$1,382,098</u>	<u>\$ 127,085</u>	<u>\$ -</u>

See accompanying notes to schedule of expenditures of federal awards

## CONNER CREEK ACADEMY EAST

### RECONCILIATION OF BASIC FINANCIAL STATEMENTS FEDERAL REVENUE AND RECEIVABLES WITH SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2019

#### Revenues to Expenditures

Revenue from federal sources - As reported on modified accrual financial statements  
(includes all funds):

General Fund	\$ 817,295
Special Revenue Fund	<u>564,079</u>
Subtotal	1,381,374
Current year unavailable revenue not collected within 60 days	<u>724</u>
Federal expenditures per the schedule of expenditures of federal awards	<u><u>\$ 1,382,098</u></u>

#### Receivables

Receivables from federal sources - As reported on financial statements	\$ 148,946
Timing difference between MDE payment and Academy receipt	<u>(21,861)</u>
Federal receivables per the schedule of expenditures of federal awards	<u><u>\$ 127,085</u></u>

## CONNER CREEK ACADEMY EAST

### NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2019

#### NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of Conner Creek Academy East under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Conner Creek Academy East, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Conner Creek Academy East.

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

#### NOTE 3 – INDIRECT COST RATE

Conner Creek Academy East has elected to not use the 10-percent *de minimis* indirect cost rate allowed under the Uniform Guidance.

#### NOTE 4 - NONCASH ASSISTANCE

The value of the noncash assistance received was determined in accordance with the provisions of Uniform Guidance.

#### NOTE 5 - GRANT AUDITOR'S REPORT

Management has utilized the Grant Auditor's report in preparing the schedule of expenditures of federal awards. Unreconciled differences, if any, have been disclosed to the auditor.

**CONNER CREEK ACADEMY EAST**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2019

**SECTION I - SUMMARY OF THE AUDITOR'S RESULTS**

*Financial Statements*

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
  - Significant deficiency(ies) identified that are not considered to be a material weakness(es)? yes none reported
- Noncompliance material to financial statements noted? yes no

*Federal Awards*

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not considered to be a material weakness(es)? yes none reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? yes no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
#84.010	Title IA

Dollar threshold used to distinguish between Type A and Type B programs as described in 2 CFR section 200.518(b): \$750,000

Auditee qualified as low-risk auditee? yes no

**SECTION II – FINANCIAL STATEMENT FINDINGS**

NONE

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

NONE