Taylor & Morgan | CPAs AND BUSINESS ADVISORS

October 24, 2018

To the Board of Education of
George Washington Carver Academy, PSA

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of George Washington Carver Academy, PSA (the Academy) for the year ended June 30, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards,* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 3, 2018. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by George Washington Carver Academy are described in Note 1 to the financial statements. The following new accounting policies were adopted during the year ended June 30, 2018:

- As described in Note 11 to the financial statements, the Academy adopted Statement of Governmental Accounting Standards Board (GASB Statement) No. 68, Accounting and Financial Reporting for Pensions. This statement requires the net pension liability and deferred outflows and inflows of resources related to the Academy's pension plan be reported on the government-wide financial statements.
- As described in Note 12 to the financial statements, the Academy adopted Statement of Governmental Accounting Standards Board (GASB Statement) No. 75, Accounting and Financial Reporting for Postemployment Benefits other than Pensions (OPEB). This statement requires the net OPEB liability and deferred outflows and inflows of resources related to the Academy's postemployment benefits other than pensions be reported on the government-wide financial statements.

We noted no transactions entered into by George Washington Carver Academy during the year for which there is a lack of authoritative guidance or consensus.

All significant transactions have been recognized in the financial statements in the proper period.

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

Difficulties Encountered in Performing the Audit

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

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Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate to the financial statements taken as whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 19, 2018.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

<u>Prior Year Recommendation</u>

The Academy received over $130,000 in IDEA funds that were passed through Wayne County Regional School District. During the fiscal year ended June 30, 2017, these funds were not requested nor received prior to June 30. We recommended these funds be requested more frequently throughout the year in an effort to keep year end receivable balances as low as possible.

Our current year audit noted a decline in IDEA funds from $134,756 in 2016-17 to $105,260 in 2017-18. Although these funds were not requested until year end, they represent a much smaller percentage of the Academy's Due from Other Governmental Units balance as of June 30, 2018. We recommend if the Academy experiences a significant increase in future IDEA funding, these funds be requested more frequently.

<u>Other Matters</u>

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

Restriction on Use

This information is intended solely for the use of the Board of Education and management of George Washington Carver Academy and is not intended to be, and should not be, used by anyone other than these specified parties.

Taylor & Morgan, P.C.

Taylor & Morgan, CPAs, P.C.
Flint, MI

Taylor & Morgan | CPAs and Business Advisors

George Washington Carver Academy

Audited Financial Statements

June 30, 2018

Prepared by Taylor & Morgan, P.C.

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Taylor & Morgan | CPAs and Business Advisors

INDEPENDENT AUDITOR'S REPORT

October 19, 2018

Board of Education
George Washington Carver Academy
Highland Park, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of George Washington Carver Academy as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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 of material misstatement.

An audit involves performing procedures to obtain 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 estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe 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 George Washington Carver Academy as of June 30, 2018 and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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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, pension plan information and OPEB plan information on pages 3-7 and 37-39 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 George Washington Carver Academy's basic financial statements. The introductory section is presented for purposes of additional analysis and is 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* (CFR) 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 schedule of expenditures of federal awards is the responsibility of management and was 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 statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section titled management's discussion and analysis has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2018 on our consideration of George Washington Carver Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is 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 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 the George Washington Carver Academy's internal control over financial reporting and compliance.

Sincerely,

Taylor & Morgan, P.C.

Taylor & Morgan, P.C.
Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

George Washington Carver Academy
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018

This section of George Washington Carver Academy's (the "Academy") annual financial report presents our discussion and analysis of the Academy's financial performance during the year ended June 30, 2018. Please read it in conjunction with the Academy's financial statements, which immediately follow this section.

George Washington Carver Academy now operates two public schools within one building located at 14510 Second Avenue, Highland Park, MI. The first, George Washington Carver Academy Elementary School, operates as a Pre-Kindergarten through fourth grade school. The second, George Washington Carver Middle School, operates as a fifth through eighth grade school.

FINANCIAL POSITION AND RESULTS OF OPERATIONS

George Washington Carver Academy's *net position* – the difference between assets and liabilities, as reported in the Statement of Net Position, is one way to measure the Public School Academy's financial health, or *financial position*. Over time, *increases or decreases* in the Academy's net position, as reported in the Statement of Activities, is one indicator of whether its *financial health* is improving or deteriorating. The relationship between revenues and expenses indicates the Academy's *operating results*. However, the Academy's goal is to provide services to its students, not to generate profits as commercial entities do. Many other non-financial factors, such as the quality of the education provided and the safety of the school must also be considered when assessing the *overall health* of the Academy.

George Washington Carver Academy's net position totaled $783,586 at June 30, 2018. Of this amount, $1,118,496 was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and legislation that limits the Academy's ability to use that net position for day-to-day operations. The following table is a comparable summary of the Academy's net position at June 30, 2018 and June 30, 2017 respectively:

	June 30, 2018	June 30, 2017
Assets		
Current assets	$ 2,787,881	$ 2,838,280
Capital assets net of depreciation	4,020,248	4,000,052
Total assets	6,808,129	6,838,332
Deferred Outflows of Resources	250,762	-
Liabilities		
Current liabilities	1,006,309	914,681
Long-term liabilities	5,252,969	5,150,000
Total liabilities	6,259,278	6,064,681
Deferred Inflows of Resources	16,027	-
Net Position		
Invested in capital assets, net of related debt	(1,269,231)	(1,510,161)
Restricted for Capital Projects	14,825	174,634
Restricted for Debt Service	919,496	919,496
Unrestricted	1,118,496	1,189,682
Total net position	$ 783,586	$ 773,651

The $1,118,496 in unrestricted net position of governmental activities represents Academy funds that have not been committed contractually or for debt obligations and are available for future use.

The net position increased $9,935 in 2017-18. This increase was a result of prudent budgetary controls and a reduction in spending.

The results of this year's operations for George Washington Carver Academy as a whole are reported in the Statement of Activities. A summary of the Academy-wide results of operations for the years ended June 30, 2018 and June 30, 2017 are as follows:

	June 30, 2018	June 30, 2017
General revenue		
State of Michigan aid, unrestricted	$ 3,811,835	$ 4,199,325
Other – federal, state and local	40,168	7,360
Total general revenue	3,852,003	4,206,685
Program revenue		
Charges for services – local	-	-
Operating grants and contributions	1,987,628	1,909,801
Total revenues	5,839,631	6,116,486
Expenses		
Instruction	2,576,340	2,507,857
Support services	2,242,659	2,388,207
Community Services	50,832	2,799
Other Services	25,523	30,019
Food Services	390,759	382,464
Depreciation	421,304	438,305
Interest Expense	122,279	122,030
Total expenses	5,829,696	5,871,681
Increase/(Decrease) in net position	9,935	244,805
Net position – July 1	773,651	528,846
Net position – June 30	$ 783,586	$ 773,651

GOVERNMENTAL FUNDS FINANCIAL HIGHLIGHTS

Our financial statements provide the following insights about the results of this year's operations:

The overall financial condition of the governmental funds have improved over the past year. Although enrollment declined slightly, there was an increase to the State Aid per-pupil allowance of $120 reducing the overall decline in unrestricted State Aid to $396,844. Tight budgetary controls aided in an overall increase in net position of $9,935.

MAJOR GOVERNMENTAL FUNDS BUDGETING AND OPERATING HIGHLIGHTS

George Washington Carver Academy's budgets are prepared according to Michigan law and are initially adopted prior to July 1 of each year, before student enrollment counts are known. Therefore, it is expected that there will be changes between the initial budget and subsequent budgets, as actual enrollments and resultant staffing requirements are known. Currently, the most significant budgeted fund is the General Fund. During the fiscal year ending June 30, 2018, the Academy amended the budgets of this major governmental fund two times. Each amendment reflected a change in revenues and/or expenditures.

General Fund

In the general fund, the actual revenue was $5,449,500. This is less than the final amended budgeted amount of $5,488,058 with a variance of approximately .7%. The actual expenditures and transfers of the general fund were $5,422,452. This is more than the final amended budgeted amount of $5,365,336.

The net change in fund balance was $27,048 at June 30, 2018 and the fund balance totaled $1,216,730 at June 30, 2018.

GOVERNMENTAL FUND EXPENDITURES

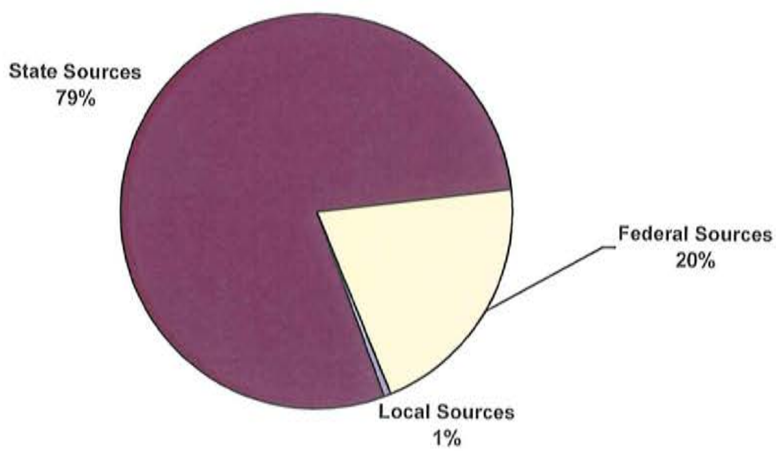
The following chart illustrates that general fund comprises 82.75% of all the expenditures within the governmental funds of George Washington Carver Academy. As of June 30, 2018, expenditures totaled $5,972,392 for all Academy programs. The ending fund balance for all funds was equal to $2,151,051.

	June 30, 2018 (In millions)	% Of TOTAL
General Fund	$4.94	82.75%
Debt Retirement Fund	.64	10.72%
Other Non-major Funds	.39	6.53%
Total	$5.97	100.00%

TOTAL REVENUES

Revenues for all governmental funds totaled $5,839,631. The following graph illustrates George Washington Carver Academy revenues by source as a percentage of total revenue:

Revenues by Source



Unrestricted State Aid

The Academy's operating costs are predominately funded by State Aid, the amount of which has, in recent years, failed to keep pace with the rate of inflation. The per-pupil allowance was $7,631 for the 2017-18 school year. This is a per-pupil increase of $120 from the prior year. State Aid membership was computed in 2017-18 with a blended count of 10% of the February and 90% of the October counts.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the 2017-2018 fiscal period, the Academy had $7,530,484 invested in fixed assets. Of this amount, $3,510,236 has been depreciated. Net book value totaled $4,020,248. During the 2017-18 fiscal year, there was a new roof installed on the main building.

CAPITAL ASSETS AT YEAR END
(NET OF DEPRECIATION)

	Governmental Activities
Land	$ 776,137
Buildings and Additions	3,217,932
Equipment and Furniture	26,179
Total	$4,020,248

Debt

As of June 30, 2018 the Academy has $5,150,000 in debt outstanding, comprised of certificates of participation, bearing interest at rates between 8 percent and 8.125 percent per annum.

For more detailed information regarding capital assets and debt administration, please review the Notes to the Basic Financial Statements located in the financial section of this report.

CONTACTING THE SCHOOL ACADEMY'S FINANCIAL MANAGEMENT

This report is designed to give an overview of the financial conditions of George Washington Carver Academy. If you should desire additional detailed financial program audits, they can be obtained by contacting the following:

Business Office
George Washington Carver Academy
14510 Second Avenue
Highland Park, MI 48203
Telephone 313-865-6024

BASIC FINANCIAL STATEMENTS

GEORGE WASHINGTON CARVER ACADEMY
STATEMENT OF NET POSITION
JUNE 30, 2018

		Governmental Activities
Assets		
Cash, Cash Equivalents and Investments	$	1,666,315
Due from Other Governmental Units		1,112,317
Deposits		5,000
Prepaid Expenses		4,249
Capital Assets, Net of Depreciation		4,020,248
Total Assets		6,808,129
Deferred Outflows of Resources		
Deferred pension amounts		243,259
Deferred OPEB amounts		7,503
Total Deferred Outflows of Resources		250,762
Liabilities		
Accounts Payable		86,042
State Aid Notes Payable		45,016
Accrued Liabilities		350,629
Advances from Grantors		155,143
Accrued Interest on Long-Term Debt		139,479
Current Portion of Long-Term Debt		230,000
Noncurrent Liabilities:		
Net pension liability		252,301
Net OPEB Liability		80,668
Other		4,920,000
Total Liabilities		6,259,278
Deferred Inflows of Resources		
Deferred pension amounts		13,300
Deferred OPEB amounts		2,727
Total Deferred Inflows of Resources		16,027
Net Position		
Invested in Capital Assets, Net of Related Debt		(1,269,231)
Restricted for:		
Capital Projects		14,825
Debt Service		919,496
Unrestricted		1,118,496
Total Net Position	$	783,586

See accompanying notes to basic financial statements.

GEORGE WASHINGTON CARVER ACADEMY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

		Program Revenues		Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	
Functions/Programs:				
Governmental Activities:				
Instruction	$ 2,576,340	$ -	$ 1,592,563	$ (983,777)
Support Services	2,242,659	-	5,102	(2,237,557)
Community Services	50,832	-	-	(50,832)
Other Services	25,523	-	-	(25,523)
Food Services	390,759	-	389,963	(796)
Interest on Long-Term Debt	421,304	-	-	(421,304)
Unallocated Depreciation	122,279	-	-	(122,279)
Total Governmental Activities	$ 5,829,696	$ -	$ 1,987,628	(3,842,068)
General Purpose Revenues:				
State School Aid				3,811,835
Miscellaneous				40,168
Total General Revenue				3,852,003
Change in Net Position				9,935
Net Position - July 1				773,651
Net Position - June 30				$ 783,586

GEORGE WASHINGTON CARVER ACADEMY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

Assets	General Fund	Debt Retirement Fund	Non-Major Capital Projects Fund	Non-Major Fund- School Lunch	Total Governmental Funds
Cash, Cash Equivalents and Investments	$ 669,567	$ 981,923	$ 14,825	$ -	$ 1,666,315
Due from Other Funds	62,427	-	-	-	62,427
Due from Other Governmental Units	1,112,317	-	-	-	1,112,317
Deposits	5,000	-	-	-	5,000
Prepaid Expenses	4,249	-	-	-	4,249
Total Assets	$ 1,853,560	$ 981,923	$ 14,825	$ -	$ 2,850,308
Liabilities and Fund Balance					
Liabilities:					
Accounts Payable	$ 86,042	$ -	$ -	$ -	$ 86,042
State Aid Notes Payable	45,016	-	-	-	45,016
Due to Other Funds	435	62,427	-	-	62,862
Advances from Grantors	155,143	-	-	-	155,143
Accrued Liabilities	350,194	-	-	-	350,194
Total Liabilities	636,830	62,427	-	-	699,257
Fund Balance:					
Non-Spendable	9,249	-	-	-	9,249
Restricted	-	919,496	14,825	-	934,321
Assigned	111,353	-	-	-	111,353
Unassigned	1,096,128	-	-	-	1,096,128
Total Fund Balance	1,216,730	919,496	14,825	-	2,151,051
Total Liabilities and Fund Balance	$ 1,853,560	$ 981,923	$ 14,825	$ -	$ 2,850,308

See accompanying notes to basic financial statements.

GEORGE WASHINGTON CARVER ACADEMY
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2018

Total Governmental Fund Balances			$ 2,151,051
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.			
Cost of net assets	$	7,530,484	
Accumulated depreciation		(3,510,236)	4,020,248
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:			
Participation Notes Payable		(5,150,000)	
Net Pension Liability		(252,301)	
Net OPEB Liability		(80,668)	(5,482,969)
In the statement of net assets, interest has been accrued on Long-term Debt as of June 30, 2018			(139,479)
Deferred inflows and outflows related to the implementation of GASB Statement No. 68 are not included as assets and liabilities in the governmental funds:			
Deferred Inflows			(13,300)
Deferred Outflows			243,259
Deferred inflows and outflows related to the implementation of GASB Statement No. 75 are not included as assets and liabilities in the governmental funds:			
Deferred Inflows			(2,727)
Deferred Outflows			7,503
Total net position - governmental activities			$ 783,586

See accompanying notes to basic financial statements.

GEORGE WASHINGTON CARVER ACADEMY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	General Fund	Debt Retirement Fund	Non-Major Capital Projects Fund	Non-Major Fund- School Lunch	Total Governmental Funds
Revenues:					
Local Sources	$ 40,000	$ -	$ 168	$ -	$ 40,168
State Sources	4,600,611	-	-	6,430	4,607,041
Federal Sources	808,889	-	-	383,533	1,192,422
Total Revenues	5,449,500	-	168	389,963	5,839,631
Expenditures:					
Instruction:					
Basic Programs	1,881,439	-	-	-	1,881,439
Added Needs	694,901	-	-	-	694,901
Total Instruction	2,576,340	-	-	-	2,576,340
Support Services:					
Pupil Services	245,102	-	-	-	245,102
Instructional Staff	127,227	-	-	-	127,227
General Administration	272,698	-	-	-	272,698
School Administration	442,740	-	-	-	442,740
Business Services	221,504	-	-	-	221,504
Operation and Maintenance	658,638	-	-	-	658,638
Trnsportation	176,248	-	-	-	176,248
Support Services	142,743	-	-	-	142,743
Other Services	23,299	-	-	-	23,299
Community Services	50,832	-	-	-	50,832
Welfare Activities	2,224	-	-	-	2,224
Debt Service:					
Principal	-	215,000	-	-	215,000
Interest and Fiscal Charges	-	427,038	-	-	427,038
Other Supporting Services	-	-	-	390,759	390,759
Total Support Services	2,363,255	642,038	-	390,759	3,396,052
Total Expenditures	4,939,595	642,038	-	390,759	5,972,392
Excess (Deficiency) of Revenues Over/(Under) Expenditures	509,905	(642,038)	168	(796)	(132,761)
Other Financing Sources/(Uses):					
Operating Transfers	(482,857)	642,038	(159,977)	796	-
Total Other Financing Sources/(Uses)	(482,857)	642,038	(159,977)	796	-
Net Changes in Fund Balances	27,048	-	(159,809)	-	(132,761)
Fund Balance - July 1	1,189,682	919,496	174,634	-	2,283,812
Fund Balance - June 30	$ 1,216,730	$ 919,496	$ 14,825	$ -	$ 2,151,051

GEORGE WASHINGTON CARVER ACADEMY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Total net change in fund balances - governmental funds		$ (132,761)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.		
Capital Outlay	$ 142,475	
Depreciation Expense	(122,279)	20,196
Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of repayments reported as expenditures in the governmental funds.		215,000
Interest on long-term debt in the statement of activities includes accrued interest while the governmental funds statement does not. The (increase)/decrease in accrued interest on long-term debt at June 30, 2018 was		5,734
Pension expense in the government-wide statements has been adjusted to reflect the requirements of GASB No. 68. This is the amount of the adjustment to pension expense in the government-wide statements.		(22,342)
Retiree health expense in the government-wide statements has been adjusted to reflect the requirements of GASB No. 75. This is the amount of the adjustment to retiree health expense in the government-wide statements.		(75,892)
Change in net position of governmental activities		$ 9,935

GEORGE WASHINGTON CARVER ACADEMY
STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
JUNE 30, 2018

	Agency Funds
Assets	
Due from other funds	$ 435
Liabilities	
Due to student and other groups	$ 435
Total liabilities	$ 435

NOTES TO BASIC FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies

The accounting policies of George Washington Carver Academy conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant accounting policies:

Organizational Structure

George Washington Carver Academy was formed as a public school academy pursuant to the Michigan School Code of 1976, as amended by Act No. 362 of the Public Acts of 1933 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, and began operation in September 1999.

On July 1, 2016 the Academy entered into a contract with Bay Mills Community College 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 statuses as an entity authorized to receive state school aid funds pursuant to the State constitution. The Bay Mills Community College 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 the Bay Mills Community College Board of Trustees three percent of their received State Aid as administrative fees. Total administrative fees paid under this agreement for the year ended June 30, 2018 were $129,616.

On July 1, 2016, the Academy entered into an agreement with Provision Board Solutions, LLC for board accountant services and board administrative services through June 30, 2019. Under the terms of this agreement, Provision Board Solutions, LLC provides financial accounting and reporting services that includes budget preparation, general ledger maintenance, financial reporting to the board, internal control maintenance, audit assistance and compliance reporting. Board administrative services under the terms of this agreement include maintaining corporate and board records, compiling and communicating board meeting dates, minutes and agendas and developing and maintaining board policies. Total fees paid to Provision Board Solutions, LLC for the year ended June 30, 2018 were $144.087.

On June 20, 2017, the Academy entered into an agreement with Human Resource Experts 0333, Inc. for human resource services. Under the terms of this agreement, Human Resource Experts 0333, Inc. provides payroll management, benefits management, and all elements of hiring and training employees. Total fees paid to Human Resource Experts 0333, Inc. for the year ended June 30, 2018 were $69,031.

Reporting Entity

The accompanying basic financial statements have been prepared in accordance with criteria established by the GASB for determining the various governmental organizations to be included in the reporting entity. These criteria include oversight responsibility, scope of public service, and special financing arrangements. Based on application of the criteria, the entity does not contain component units.

The Academy receives funding from local, state, federal and inter-district government sources and must comply with the accompanying requirements of these funding source entities. However, the Academy is not included in any other governmental "reporting entity" body that has separate legal standing and is fiscally independent of the governmental entities. As such, the Board of Education has decision-making authority to determine its budget, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.

Note 1 - Summary of Significant Accounting Policies (continued)

Basic Financial Statements – Government-wide Statements
The Academy's basic financial statements include both government-wide (reporting the Academy as a whole) and fund financial statements (reporting the Academy's major funds). The government-wide financial statements categorize primary activities as either governmental or business type. All of the Academy's activities are classified as governmental activities. Fiduciary funds are not included in the government-wide financial statements.

In the government-wide Statement of Net Position, the governmental activities column is presented on a consolidated basis and is reported on a full-accrual economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Academy's net assets are reported in three parts: invested in capital assets net of related debt; restricted net assets; and unrestricted net assets. The Academy first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the Academy's functions. General government revenues (certain intergovernmental revenues, fines, permits and charges, etc.) also support the functions. The Statement of Activities reduces gross expenses by related program revenues, operating grants, and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary grants. The net costs by function are normally covered by general revenue (state and federal sources, interest income, etc.).

The Academy does not allocate indirect costs. Inter-fund transactions have been eliminated in the government-wide financial statements.

Basic Financial Statements - Fund Financial Statements
The accounts of the Academy are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon 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 four generic fund types in two broad fund categories as follows:

Governmental Funds
Governmental funds are those funds through which most school 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 governmental funds.

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 Funds - Special Revenue Funds are used to segregate the transactions of particular activities from regular revenue and expenditure accounts. The Academy maintains one special revenue fund, the School Lunch Fund, and has full control of this fund.

Debt Retirement Funds - The Debt Retirement Funds are used to record interest revenue and the payment of general long-term debt principal, interest and related cost. The Academy maintains a debt service fund for the repayment of the certificates of participation issued in 2003.

Note 1 - Summary of Significant Accounting Policies (continued)

Capital Projects Funds - The Capital Projects Funds are used to record loan proceeds or other revenue and the disbursement of monies specifically designed for acquiring new school sites, buildings, equipment, and for major remodeling and repairs. The fund is retained until the purpose for which the fund was created has been accomplished.

Basis of Accounting/Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Accrual

Governmental activity in the government-wide financial statements is presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt are recognized when due.

Those revenues susceptible to accrual are state aid, interest revenue, grants and charges for services. Other revenue is recorded when received.

The Academy reports deferred revenue on its governmental funds balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when the Academy receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Cash, Cash Equivalents and Investments

Cash and cash equivalents include amounts in demand deposits, sweep accounts, and certificates of deposits with original maturities less than 180 days. The Academy reports its investments in accordance with Governmental Accounting Standards Board (GASB) Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools and No. 40 Deposits and Investment Risk Disclosures. Under these standards, certain investments are valued at 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. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

Note 1 - Summary of Significant Accounting Policies (continued)

Cash, Cash Equivalents and Investments (continued)

State statutes authorize the Academy to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury, certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation (FDIC), Federal Savings and Loan Insurance Corporation (FSLIC), or National Credit Union Administration (NCUA), respectively; and in commercial paper rated at the time of purchase within the three highest classifications established by no 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, mutual funds composed of investments outlined above, and investment pools, as authorized by the surplus funds investment pool act, Act. No. 367 of the Public Acts of 1982, being sections 129.11 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a school Academy.

Inventories - Items purchased for future use are recorded as inventory and charged to expenditure accounts when requisitioned for use. Food Service Fund inventory consists of food and paper goods recorded at cost, and commodity inventory recorded at fair market value as determined by the USDA.

Capital Assets – Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. The Academy has adopted a $5,000 capitalization threshold for recording capital assets. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Depreciation on all assets is computed on the straight-line basis over the estimated useful lives as follows:

Buildings and additions	20 – 50 years
Buses and other vehicles	5 – 10 years
Furniture and equipment	5 – 20 years

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period.

The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Note 1 - Summary of Significant Accounting Policies (continued)

Pension
For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Michigan Public School Employees Retirement System (MPSERS) and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Postemployment Benefits Other Than Pensions
For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Michigan Public School Employees Retirement System (MPSERS) and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Economic Dependency – The Academy receives approximately 79% of its operating revenue from the State of Michigan.

Note 2 - Budget and Budgetary Accounting

The State of Michigan adopted a Uniform Budgeting and Accounting Act (Act) applicable to all local governmental entities in the state. The law requires appropriation acts to be adopted for General and Special Revenue Funds and an informational study of Capital Project Funds of school Academies prior to the expenditure of monies in a fiscal year.

The Board of Education adopts appropriations utilizing the modified accrual basis of accounting for all governmental funds. The appropriation level adopted by the Board is the level of control authorized by the Act.

The Act requires expenditures to be budgeted on a functional basis. An Academy is not considered to be in violation of the Act if reasonable procedures are in use by the Academy to detect violations.

The Academy follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Academy's principal submits to the Board of Education a proposed budget by July 1 of each year. The budget includes proposed expenditures and the means of financing them.

2. The principal is authorized to transfer budgeted amounts between functions within any fund with the approval of the Budget and Finance Committee; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Education.

Note 2 – Budget and Budgetary Accounting (continued)

3. Budgets for the General, Capital Projects, and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles.

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

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

A comparison of actual results of operations to the budgeted amounts (at the level of control adopted by the Board of Education) for the General Fund is presented as required supplementary information.

Excess of expenditures over appropriations in budgeted funds

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

Budget item	Budget Appropriation	Actual Expenditure	Variance
Basic Programs	$ 1,838,482	$ 1,881,439	$ (42,957)
General Administration	$ 247,815	$ 272,698	$ (24,883)
Business Services	$ 210,006	$ 221,504	$ (11,498)
Operations & Maintenance	$ 630,499	$ 658,638	$ (28,139)
Support Services	$ 140,261	$ 142,743	$ (2,482)
Community Services	$ 50,017	$ 50,832	$ (815)
Welfare Activities	$ 2,000	$ 2,224	$ (224)

Note 3 - Investments

At June 30, 2018 the Academy had the following investments:

Investment Type	Fair Value	Percent of Total
Pooled U.S.Treasury Obligations		
Capital Projects Fund	$ 14,825	1%
Debt Retirement Fund	981,923	99%
TOTAL	$ 996,748	100%

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The Academy's policy provides that to the extent practicable, investments are matched with anticipated cash flows. Investments are diversified to minimize the risk of loss resulting from over-concentration of assets in a specific maturity period, a single issuer, or an individual class of securities and are invested primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools.

Concentration of credit risk is the risk of loss attributed to the magnitude of the Academy's investment in a single issuer. Cumulatively, portfolios of the Academy may not be invested in any given financial institution in excess of 5% of such institution's total assets. Additionally, no more than 5% of the total Academy portfolio may be placed with any single financial institution with the exception of repurchase agreements. U.S. government securities and 2a7-like investment pools are excluded from these restrictions.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits this exposure by mandating that the Academy's investments in commercial paper and corporate bonds be limited to those with a prime rating or better issued by nationally recognized statistical rating organizations (NRSROs). At June 30, 2018, the Academy had no direct investments in commercial paper/corporate bonds.

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Academy's deposits may not be returned or the Academy will not be able to recover collateral securities, if any, in the possession of an outside party. At June 30, 2018, the Academy had $492,305 of its deposit balances uninsured and uncollateralized.

Custodial credit risk for investments 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. This risk is minimized by the Academy through limiting investments to those of a prime or better rating and pre-qualifying the financial institutions, brokers/dealers, intermediaries, and advisors.

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The Academy is not authorized to make investments that would be subject to this type of risk.

Note 4 - Changes in Capital Assets

Summary of capital asset transactions:

	Balance July 1, 2017	Additions	Disposals and Adjustments	Balance June 30, 2018
Land	$ 776,137	$ -	$ -	$ 776,137
Buildings & Additions	5,029,641	142,475	-	5,172,116
Equipment & Furniture	1,582,231	-	-	1,582,231
Subtotal	7,388,009	142,475	-	7,530,484
Accumulated Depreciation:				
Building & Additions	1,838,297	115,887	-	1,954,184
Equipment & Furniture	1,549,660	6,392	-	1,556,052
Subtotal	3,387,957	122,279	-	3,510,236
Net capital assets	$ 4,000,052	$ 20,196	$ -	$ 4,020,248

Depreciation expense, when appropriate, was allocated to governmental functions. Depreciation expense that was not allocated appears on the statement of activities as "unallocated." All of the depreciation was recorded on the statement of activities as "unallocated".

Note 5 - Long-Term Debt

The Academy's long-term liabilities consist of a $7,100,000 certificate of participation note bearing interest at rates between 8.0 and 8.125 percent interest per annum and are secured by a mortgage on the Academy's facilities. The repayment of this obligation comes from a pledge of 20% of the Academy's State Aid which is deposited with U.S. Bank in trust for the Academy. The obligations for the certificates require semi-annual interest payments on March 1 and September 1. The note matures on August 26, 2030. Principal payments are due September 1, beginning in 2003.

Summary of long-term debt transactions:

	Certificates of Participation
Balance July 1, 2017	$ 5,365,000
Less: Payments	(215,000)
Balance June 30, 2018	5,150,000
Less: Current Portion	(230,000)
Total Due After One Year	$ 4,920,000

Note 5 - Long-Term Debt (continued)

The Certificates of Participation are payable from the Debt Service Fund which is maintained at U.S. Bank. As of June 30, 2018, the Debt Service Fund had a balance of $919,496 available to pay this debt.

Future principal and interest requirements for long-term debt are as follows:

Year Ended June 30,	Principal	Interest	Total
2019	$ 230,000	$ 409,094	$ 639,094
2020	250,000	389,594	639,594
2021	275,000	368,266	643,266
2022	295,000	345,109	640,109
2023	320,000	320,125	640,125
2024-2028	2,070,000	1,142,375	3,212,375
2029-2031	1,710,000	215,719	1,925,719
Total	$ 5,150,000	$ 3,190,282	$ 8,340,282

Interest expenditures for 2017-2018 amounted to $427,038.

Note 6 – Interfund Transactions

The composition of interfund balances is as follows:

	Due From Other Funds	Due To Other Funds
General Fund	$ 62,427	$ 435
Debt Retirement Fund	-	62,427
Agency Fund	435	-
Total	$ 62,862	$ 62,862

The Academy made the following interfund transfers during the year:

	Transfers To Other Funds	Transfers From Other Funds
General Fund	$ 642,834	$ 159,977
Debt Retirement Fund	-	642,038
Capital Projects Fund	159,977	-
School Lunch Fund	-	796
	$ 802,811	$ 802,811

The transfers were for the purpose of funding the lunch program, capital projects and required debt service of the Academy.

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transaction are recorded in the accounting system, and payments between funds are made.

Note 7 - Fund Balance

Non-spendable, Restricted, Committed, Assigned and Unassigned

The Board of Education adopts a budget each year that includes the appropriation of fund balance. Non-spendable fund balance represents assets that are not available in spendable form and are not expected to be converted to cash. The Academy had $9,249 in non-spendable assets at June 30, 2018.

Restricted fund balance are reported separately to show legal constraints from debt covenants and legislation that limits the Academy's ability to use this fund balance for day-to-day operations.

Restricted:

Capital projects	$	14,825
Debt service		919,496
Total Restricted	$	934,321

Committed fund balance represents constrained amounts imposed by school board resolution. The Academy had no amounts committed at June 30, 2018.

Assigned fund balance represents amounts intended to be used for specific purposes expressed by the Board of Education, Finance Committee, or the official authorized by the governing body. Residual amounts in governmental funds other than the General Fund are also assigned. The Academy had assigned $111,353 of fund balance to be used for 2018-19 expenditures.

Unassigned fund balance is reported only in the General Fund and represents the remaining fund balance after non-spendable, restrictions, and assignments have been made.

The Academy applies restricted resources first for applicable expenditures. Assigned fund equity is applied when expenditures are incurred for the assigned purpose, followed by unassigned fund equity for budgeted expenditures.

Note 8 - Contingencies and Commitments

The Academy has received federal and state grants for specific purposes. These grants 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 9 – Risk Management

The Academy is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation) as well as medical benefits provided to employees. The Academy purchases commercial insurance coverage to cover potential claims, and management believes this coverage is sufficient to protect the Academy from any significant adverse financial impact.

Note 10 – State Aid Anticipation Loan

The Academy was issued a State Aid Anticipation Loan through Michigan Finance Authority in the amount of $251,000 on August 21, 2017. This loan has an interest rate of 3.75% and matured on August 20, 2018. Eleven monthly payments in the amount of $23,314, beginning October 20, 2017 are required, with the final payment due on August 20, 2018. At June 30, 2018, there was a balance of $45,016, plus accrued interest of $1,612.

The Academy was issued a State Aid Anticipation Loan through Michigan Finance Authority in the amount of $350,000 on September 6, 2018. This loan has an interest rate of 5.3% and matures on August 20, 2019. Eleven monthly payments in the amount of $32,721, beginning October 22, 2018 are required, with the final payment due on August 20, 2019.

Note 11 – Defined Benefit Pension Plan

Plan Description

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

The System is administered by the Office of Retirement Services within the Michigan Department of Technology, Management & Budget. The Department Director appoints the Office Director, with whom the general oversight of the System resides. The State Treasurer serves as the investment officer and custodian for the System.

The System's financial statements are available at www.michigan.gov/mpsers-cafr.

Benefits Provided

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

A DB member or Pension Plus plan member who leaves Michigan public school employment may request a refund of his or her member contributions to the retirement system account. A refund cancels a former member's rights to future benefits. However, returning members who previously received a refund of their contributions may reinstate their service through repayment of the refund upon satisfaction of certain requirements.

Note 11 – Defined Benefit Pension Plan (continued)

Contributions and Funded Status

The majority of the members currently participate on a contributory basis, as described above under "Benefits Provided." The Districts are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of active and retired members. Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. For retirement and OPEB benefits, the unfunded (overfunded) actuarial accrued liability as of the September 30, 2017 valuation will be amortized over a 20 year period for the 2017 fiscal year.

The schedule below summarizes pension contribution rates in effect for fiscal year 2017.

Pension Contribution Rates

Benefit Structure	Member	Employer
Basic	0.0 - 4.0 %	19.03 %
Member Investment Plan	3.0 - 7.0	19.03
Pension Plus	3.0 - 6.4	18.40
Defined Contribution	0.0	15.27

Required contributions to the pension plan from the District were $22,836 for the year ended September 30, 2017.

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

At June 30, 2018, The Academy reported a liability of $252,301 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2015. The Academy's proportionate share of the net pension liability was determined by dividing each district's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable districts during the measurement period. At September 30, 2017, the Academy's proportion was .0000097 percent.

Note 11 – Defined Benefit Pension Plan (continued)

For the year ended June 30, 2018, the Academy recognized total pension expense of $43,810. At June 30, 2018, the Academy reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

		Deferred Outflows of Resources		Deferred Inflows of Resources
Differences between expected and actual experience	$	2,193	$	1,238
Changes of assumptions		27,642		-
Net difference between projected and actual earnings on pension plan investments		-		12,062
Changes in proportion and differences between District contributions and proportionate share of contributions		182,564		-
District contributions subsequent to the measurement date*		30,860		-
Total	$	243,259	$	13,300

*Contributions subsequent to the measurement date reported as deferred outflows of resources related to pensions resulting from Academy contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2019.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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

Year Ending June 30	Amount:
2018	$56,375
2019	$60,622
2020	$55,714
2021	$26,388

Actuarial Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Additional information as of the latest actuarial valuation follows:

Note 11 – Defined Benefit Pension Plan (continued)

Summary of Actuarial Assumptions

Actuarial Assumptions	
Valuation Date	September 30, 2016
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	3.5%
Investment Rate of Return	
- MIP and Basic Plans (Non-Hybrid):	7.5%
- Pension Plus Plan (Hybrid):	7.0%
Projected Salary Increases:	3.5 - 12.3%, including wage inflation at 3.5%
Cost-of-Living Pension Adjustments:	3% Annual Non-Compounded for MIP Members

Mortality: RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. This assumption was first used for the September 30, 2014 valuation of the system. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.

Notes:

- Assumption changes as a result of an experience study for the periods 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total pension liability as of September 30, 2017, is based on the results of an actuarial valuation date of September 30, 2016, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 4.5188
- Recognition period for assets in years is 5.0000
- Full actuarial assumptions are available in the 2017 MPSERS Comprehensive Annual Financial Report found in the OS website at www.michigan.gov/orsschools.

Note 11 – Defined Benefit Pension Plan (continued)

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2017, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.0 %	5.6 %
% Alternative Investment Pools	18.0	8.7
International Equity	16.0	7.2
Fixed Income Pools	10.5	(.1)
Real Estate and Infrastructure Pools	10.0	4.2
Absolute Return Pools	15.5	5.0
Short Term Investment Pools	2.0	(0.9)
TOTAL	100.0 %	

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

Rate of Return

For the fiscal year ended September 30, 2017, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 13.24%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

A discount rate of 7.5% was used to measure the total pension liability (7.0% for the Pension Plus plan, a hybrid plan). This discount rate was based on the long term expected rate of return on pension plan investments of 7.5% (7.0% for the Pension Plus plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Note 11 – Defined Benefit Pension Plan (continued)

Sensitivity of the Academy's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Academy's proportionate share of the net pension liability, calculated using a discount rate of 7.5% (7.0% for the Hybrid Plan), as well as what the Academy's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher:

1% Decrease (Non-Hybrid/Hybrid)* 6.5% / 6.0%	Current Single Discount Rate Assumption (Non-Hybrid/Hybrid)* 7.5% / 7.0%	1% Increase (Non-Hybrid/Hybrid)* 8.5% / 8.0%
$328,664	$252,301	$188,008

Michigan Public Schools Employees Retirement System (MPSERS) Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS CAFR, available on the ORS website at www/Michigan.gov/schools.

Note 12 – Postemployment Benefits Other Than Pensions (OPEB)

Plan Description

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

The System's health plan provides all eligible retirees with the option of receiving health, prescription drug, and dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

The System is administered by the Office of Retirement Services (ORS) within the Michigan Department of Technology, Management & Budget. The Department Director appoints the Office Director, with whom the general oversight of the System resides. The State Treasurer serves as the investment officer and custodian for the System.

The System's financial statements are available on the ORS website at www.michigan.gov/orsschools.

Note 12 – Postemployment Benefits Other Than Pensions (OPEB) (continued)

Benefits Provided

Benefit provisions of the postemployment healthcare plan are established by the State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which, through 2012, was funded on a cash disbursement basis. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, prescription drug, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree healthcare recipient. For members who first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP Graded plan members) the subsidy is the maximum allowed by the statute. To limit future liabilities of Other Postemployment Benefits, members who first worked on or after July 1, 20018 (MIP-Plus plan members) have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning January 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date. Dependents are eligible for healthcare coverage if they meet the dependency requirements set forth in Public Act 300 of 1980, as amended.

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

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

Contributions

Public School Academies and Districts are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of active and retired members. Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Employer OPEB contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2016 valuation will be amortized over a 20-year period for the 2017 fiscal year.

Note 12 – Postemployment Benefits Other Than Pensions (OPEB) (continued)

The schedule below summarizes OPEB contribution rates in effect for fiscal year 2017.

OPEB Contribution Rates

Benefit Structure	Member	Employer
Premium Subsidy	3.00 %	5.91 %
Personal Healthcare Fund (PHF)	0.00 %	5.69 %

Required contributions to the OPEB plan from the Academy were $7,092 for the year ended September 30, 2017.

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

At June 30, 2018, The Acedemy reported a liability of $80,668 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 30, 2016. The Acedemy's proportion share of the net OPEB liability was determined by dividing each district's/academy's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable districts/academies during the measurement period. At September 30, 2017, the Academy's proportion was .000009 percent, which was an increase of .000009 percent from its proportion measured as of October 1, 2016.

For the year ended June 30, 2018, the Academy recognized total OPEB expense of $85,096. At June 30, 2018, the Academy reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 859
Changes of assumptions	-	-
Net difference between projected and actual earnings on OPEB plan investments	-	1,868
Changes in proportion and differences between Academy contributions and proportionate share of contributions	600	-
Academy contributions subsequent to the measurement date*	6,903	-
Total	$ 7,503	$ 2,727

Note 12 – Postemployment Benefits Other Than Pensions (OPEB) (continued)

Contributions subsequent to the measurement date reported as deferred outflows of resources related to OPEB resulting from Academy contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

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

Year Ending June 30,	Amount:
2018	$(525)
2019	$(525)
2020	$(525)
2021	$(525)
2022	$(27)

Actuarial Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Actuarial Assumptions	
Valuation Date	September 30, 2015
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	3.5%
Investment Rate of Return	7.5%
Projected Salary Increases:	3.5 - 12.3%, including wage inflation at 3.5%
Healthcare Cost Trend Rate:	7.5% Year 1 graded to 3.5% Year 12
Mortality:	RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. This assumption was first used for the September 30, 2014 valuation of the System. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.

Note 12 – Postemployment Benefits Other Than Pensions (OPEB) (continued)

Other Assumptions:

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

Notes:

- Assumption changes as a result of an experience study for the periods 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total OPEB liability as of September 30, 2017, is based on the results of an actuarial valuation date of September 30, 2016, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 5.4744
- Recognition period for assets in years is 5.0000
- Full actuarial assumptions are available in the 2017 MPSERS Comprehensive Annual Financial Report found in the ORS website at www.michigan.gov/orsschools.

Note 12 – Postemployment Benefits Other Than Pensions (OPEB) (continued)

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2017, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.0 %	5.6 %
% Alternative Investment Pools	18.0	8.7
International Equity	16.0	7.2
Fixed Income Pools	10.5	(0.1)
Real Estate and Infrastructure Pools	10.0	4.2
Absolute Return Pools	15.5	5.0
Short Term Investment Pools	2.0	(0.9)
TOTAL	100.0 %	

**Long-term rate of returns are net of administrative expenses and 2.3% inflation.*

Rate of Return

For the fiscal year ended September 30, 2017, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 11.82%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

A discount rate of 7.5% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 7.5%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Note 12 – Postemployment Benefits Other Than Pensions (OPEB) (continued)

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

The following presents the Academy's proportionate share of the net OPEB liability calculated using a discount rate of 7.5%, as well as what the Academy's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher:

Sensitivity of the District's Proportionate Share of the OPEB liability to Healthcare Cost Trend Rate

1% Decrease 6.5%	Current Single Discount Rate 7.5%	1% Increase 8.5%
$94,486	$80,668	$68,941

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

1% Decrease 6.5%	Current Healthcare Cost Trend Rate 7.5%	1% Increase 8.5%
$68,315	$80,668	$94,694

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2017 MPSERS CAFR, available on the ORS website at www.michigan.com/orsschools.

Note 13 – Subsequent Events

Management has reviewed subsequent events through October 19, 2018, which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTAL INFORMATION

GEORGE WASHINGTON CARVER ACADEMY
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Budget			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Local Sources	$ 7,700	$ 32,474	$ 40,000	$ 7,526
State Sources	4,837,478	4,596,626	4,600,611	3,985
Federal Sources	845,139	858,958	808,889	(50,069)
Total Revenues	5,690,317	5,488,058	5,449,500	(38,558)
Expenditures:				
Education:				
Instruction:				
Basic Programs	1,923,831	1,838,482	1,881,439	(42,957)
Added Needs	1,058,750	749,232	694,901	54,331
Supporting Services:				
Pupil Services	197,039	267,351	245,102	22,249
Instructional Staff	70,582	146,483	127,227	19,256
General Administration	243,498	247,815	272,698	(24,883)
School Administration	450,200	454,606	442,740	11,866
Business Services	221,312	210,006	221,504	(11,498)
Operations & Maintenance	484,103	630,499	658,638	(28,139)
Transportation	188,000	177,000	176,248	752
Support Services	154,194	140,261	142,743	(2,482)
Other Services	22,771	30,835	23,299	7,536
Community Services	2,000	50,017	50,832	(815)
Welfare Activities	-	2,000	2,224	(224)
Total Expenditures	5,016,280	4,944,587	4,939,595	4,992
Excess (Deficiency) of Revenues Over Expenditures	674,037	543,471	509,905	(33,566)
Other Financing Sources/(Uses):				
Operating Transfers	(674,037)	(420,749)	(482,857)	(62,108)
Total Other Financing Sources/(Uses)	(674,037)	(420,749)	(482,857)	(62,108)
Net Change in Fund Balances	-	122,722	27,048	(95,674)
Fund Balance - July 1	1,189,682	1,189,682	1,189,682	-
Fund Balance - June 30	$ 1,189,682	$ 1,312,404	$ 1,216,730	$ (95,674)

See accompanying notes to basic financial statements.

GEORGE WASHINGTON CARVER ACADEMY
REQUIRED SUPPLEMENTAL INFORMATION
PENSION PLAN INFORMATION
JUNE 30, 2018

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

		2017
District's proportion of net pension liability (%)		0.00097%
District's proportionate share of net pension liability	$	252,301
District's covered-employee payroll	$	135,000
District's proportionate share of net pension liability as a percentage of its covered-employee payroll		186.89%
Plan fiduciary net position as a percentage of total pension liability		64.21%

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

		2018
Statutorily required contributions	$	22,836
Contributions in relation to statutorily required contributions	$	36,277
Contribution deficiency/(excess)	$	(13,441)
District's covered-employee payroll	$	120,000
Contributions as a percentage of covered-employee payroll		30.23%

Notes

See Note 11 to the financial statements for discussion of benefit terms and assumptions.

GEORGE WASHINGTON CARVER ACADEMY
REQUIRED SUPPLEMENTAL INFORMATION
OPEB PLAN INFORMATION
JUNE 30, 2018

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

	2017
District's proportion of net OPEB liability (%)	0.00091%
District's proportionate share of net OPEB liability	$ 80,668
District's covered-employee payroll	$ 135,000
District's proportionate share of net OPEB liability as a percentage of its covered-employee payroll	59.75%
Plan fiduciary net position as a percentage of total OPEB liability	36.39%

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

	2018
Statutorily required OPEB contributions	$ 7,092
OPEB Contributions in relation to statutorily required contributions	$ 9,204
Contribution deficiency/(excess)	$ (2,112)
District's covered-employee payroll	$ 120,000
OPEB Contributions as a percentage of covered-employee payroll	7.67%

Notes

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

UNIFORM GUIDANCE INFORMATION

Finding 2017-001 Parent Involvement Budget Requirement for Title I

Condition:
During the 16-17 fiscal year, there were no Title I, Part A funds budgeted or spent specifically on parent involvement activities.

Criteria:

Guidelines established by the United States Department of Education requires LEAs receiving Title I, Part A allocations greater than $500,000 must reserve not less than one percent of its Title I, Part A allocation to carry out the provisions of section 1118, including promoting family literacy and parenting skills.

Cause:
The Academy experienced a turnover in Title I leadership during fiscal year 2016-17 and new leadership was not aware that these funds were not properly included in the Title I budget.

Effect:
The Academy did not comply with the Title I, Part A requirement of reserving one percent of its Title I, Part A allocation on parent involvement activities.

Recommendation:
We recommended the Academy review its current Title I, Part A budget and ensure that at least one percent is reserved for parent involvement activities.

Management Response:
The Academy is aware of the requirement to reserve at least one percent of its Title I, Part A allocation on parent involvement activities and intends to comply with the requirement in the future.

Current Status:
Testing of the Title I program for the 2017-18 year resulted in the Academy complying with all requirements of the Title I program.

Questioned Costs:
None

Taylor & Morgan | CPAs AND BUSINESS ADVISORS

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*

October 19, 2018

Board of Directors
George Washington Carver Academy
Highland Park, 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 George Washington Carver Academy as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise George Washington Carver Academy's basic financial statements, and have issued our report thereon dated October 19, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered George Washington Carver Academy's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of George Washington Carver Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of George Washington Carver 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness* is a deficiency, or 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 over financial reporting 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 financial reporting 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.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether George Washington Carver Academy's financial statements are free of 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 organizations' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Taylor & Morgan, P.C.

TAYLOR & MORGAN, P.C.
Certified Public Accountants

Taylor & Morgan | CPAs and Business Advisors

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

October 19, 2018

Board of Directors
George Washington Carver Academy
Highland Park, MI

Report on Compliance for Each Major Program

We have audited the compliance of George Washington Carver Academy with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of George Washington Carver Academy's major federal programs for the year ended June 30, 2018. George Washington Carver Academy'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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of George Washington Carver Academy'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 George Washington Carver Academy'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 George Washington Carver Academy's compliance.

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Opinion on Each Major Federal Program

In our opinion, George Washington Carver Academy 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, 2018.

Report on Internal Control Over Compliance

Management of George Washington Carver Academy is responsible for establishing and maintaining effective internal control over compliance with the types of requirements referred to above. In planning and performing our audit of compliance, we considered George Washington Carver Academy's internal control over compliance with types of requirements that could have a direct and material effect on a 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 George Washington Carver Academy's internal control over compliance.

A deficiency in internal control over compliance 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 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 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 deficiency, or 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 preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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.

Taylor & Morgan, P.C.

TAYLOR & MORGAN, P.C.
Certified Public Accountants

GEORGE WASHINGTON CARVER ACADEMY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Program Title	CFDA Number	Federal Grant Number	Approved Award Amount	Prior-Year Expenditures	Accrued (Deferred) Revenue, July 1, 2017	Current Year Federal Expenditures	Current Year Cash Receipts	Accrued (Deferred) Revenue, June 30, 2018
U.S. Department of Education:								
Passed through M.D.E.								
Title I, Part A	84.010	171530	$ 722,188	$ 606,927	$ 88,313	$ 25,399	$ 113,712	$ -
Title I, Part A	84.010	181530	678,294	-	-	616,359	486,726	129,633
			1,400,482	606,927	88,313	641,758	600,438	129,633
Title II, Part A Teacher /Principal Training & Recruiting	84.367	170520	99,765	86,085	33,598	-	33,598	-
Title II, Part A Teacher /Principal Training & Recruiting	84.367	180520	62,987	-	-	61,871	51,342	10,529
			162,752	86,085	33,598	$ 61,871	84,940	10,529
Total Passed through M.D.E.			1,563,234	693,012	121,911	703,629	685,378	140,162
Passed through Intermediate School District:								
IDEA Flowthrough	84.027	170450	134,756	134,756	134,756	-	134,756	-
IDEA Flowthrough	84.027	180450	105,260	-	-	105,260	-	105,260
Total Passed through Intermediate School District			240,016	134,756	134,756	105,260	134,756	105,260
Total U.S. Department of Education			1,803,250	827,768	256,667	808,889	820,134	245,422
U.S. Department of Agriculture:								
Passed through M.D.E.								
School Breakfast	10.553		111,501	-	6,265	111,501	117,766	-
School Lunch	10.555		232,988	-	20,886	232,988	253,874	-
			344,489	-	27,151	344,489	371,640	-
U.S.D.A. Food Distributions:								
Entitlement Commodities	10.550		39,044	-	-	39,044	39,044	-
Total U.S. Department of Agriculture			383,533	-	27,151	383,533	410,684	-
Total all Federal Agencies			$ 2,186,783	$ 827,768	$ 283,818	$ 1,192,422	$ 1,230,818	$ 245,422

See notes to schedule of expenditures of federal awards.

GEORGE WASHINGTON CARVER ACADEMY
NOTES/RECONCILIATION TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

FEDERAL REVENUE RECOGNIZED PER SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	$ 1,192,422
FEDERAL REVENUE RECOGNIZED PER THE GENERAL PURPOSE FINANCIAL STATEMENTS	
General Fund	808,889
School Service Funds	383,533
TOTAL	$ 1,192,422

1) The Schedule of Expenditures of Federal Awards has been prepared under the modified accrual basis of accounting.

2) Management has utilized the Grant Auditor's Report in preparing the Schedule of Expenditures of Federal Awards. All differences between the Schedule of Expenditures of Federal Awards and the Grant Auditor's Report have been reconciled in the attached reconciliation on Page 32 of this report.

GEORGE WASHINGTON CARVER ACADEMY
RECONCILIATION OF THE GRANT AUDITOR'S REPORT TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Current Payments Per the Grant Auditor's Report		$	1,029,867
Add:	Grants Passed Through the Intermediate School District		134,756
	Entitlement Commodities (CFDA 10.550)		39,044
	Grants included as paid per 16-17 Grant Auditor's Report, not actually received by Academy until 17-18 fiscal year		
	School Breakfast Program		6,265
	National School Lunch Program		20,886
	Total Additions		200,951
TOTAL CURRENT YEAR RECEIPTS PER SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS		$	1,230,818

GEORGE WASHINGTON CARVER ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: *Unmodified*

Internal control over financial reporting:

Material weakness(es) identified?	*No*
Significant deficiency(ies) identified that are not considered to be material weaknesses?	*No*
Noncompliance material to financial statements noted?	*No*

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	*No*
Significant deficiency(ies) identified that are not considered to be material weaknesses?	*No*
Audit findings required to be reported in accordance with sections 510(a) Circular 133?	*No*

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 section 510(a) of the Uniform Guidance? *No*

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.010	*Title I*

Dollar threshold used to distinguish between Type A and Type B programs: *$750,000*

Auditee qualified as low-risk auditee? *No*

Section II - Financial Statemnet Findings

None

Section III - Federal Award Findings and Questioned Costs

None