Taylor & Morgan | CPAs and Business Advisors

George Washington Carver Academy

Audited Financial Statements

June 30, 2019

Prepared by Taylor & Morgan, P.C.

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GEORGE WASHINGTON CARVER ACADEMY

TABLE OF CONTENTS

GEORGE WASHINGTON CARVER ACADEMY
TABLE OF CONTENTS

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INDEPENDENT AUDITOR'S REPORT

October 18, 2019

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, 2019, 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, 2019 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 36-38 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, 2019 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

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, 2019. 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 $883,989 at June 30, 2019. Of this amount, $950,237 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, 2019 and June 30, 2018 respectively:

	June 30, 2019	**June 30, 2018**
Assets		
Current assets	$ 2,760,158	$ 2,787,881
Capital assets net of depreciation	4,005,098	4,020,248
Total assets	6,765,256	6,808,129
Deferred Outflows of Resources	382,947	250,762
Liabilities		
Current liabilities	1,024,782	1,006,309
Long-term liabilities	5,182,653	5,252,969
Total liabilities	6,207,435	6,259,278
Deferred Inflows of Resources	56,779	16,027
Net Position		
Invested in capital assets, net of related debt	(1,048,152)	(1,269,231)
Restricted for Capital Projects	48,290	14,825
Restricted for Debt Service	933,614	919,496
Unrestricted	950,237	1,118,496
Total net position	$ 883,989	$ 783,586

The $950,237 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 $100,403 in 2018-19. This increase was a result of closely monitoring the budget and reducing spending where possible.

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, 2019 and June 30, 2018 are as follows:

	June 30, 2019	**June 30, 2018**
General revenue		
State of Michigan aid, unrestricted	$ 4,079,616	$ 3,811,835
Other – federal, state and local	15,755	40,168
Total general revenue	4,095,371	3,852,003
Program revenue		
Charges for services – local	-	-
Operating grants and contributions	2,155,462	1,987,628
Total revenues	6,250,833	5,839,631
Expenses		
Instruction	2,489,968	2,576,340
Support services	2,621,172	2,242,659
Community Services	115,893	50,832
Other Services	24,559	25,523
Food Services	372,123	390,759
Depreciation	402,865	421,304
Interest Expense	123,850	122,279
Total expenses	6,150,430	5,829,696
Increase/(Decrease) in net position	100,403	9,935
Net position – July 1	783,586	773,651
Net position – June 30	$ 883,989	$ 783,586

GOVERNMENTAL FUNDS FINANCIAL HIGHLIGHTS

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

Due to a slight decline in enrollment, the State Aid was also reduced. Although the fund balance was decreased, tight budgetary controls aided in the decrease being less than initially budgeted.

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, 2019, 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 $5,834,103. This is less than the final amended budgeted amount of $5,932,793 with a variance of approximately 1.7%. The actual expenditures and transfers of the general fund were $5,944,135. This is less than the final amended budgeted amount of $6,072,821.

The net change in fund balance was $(110,032) at June 30, 2019 and the fund balance totaled $1,106,698 at June 30, 2019.

GOVERNMENTAL FUND EXPENDITURES

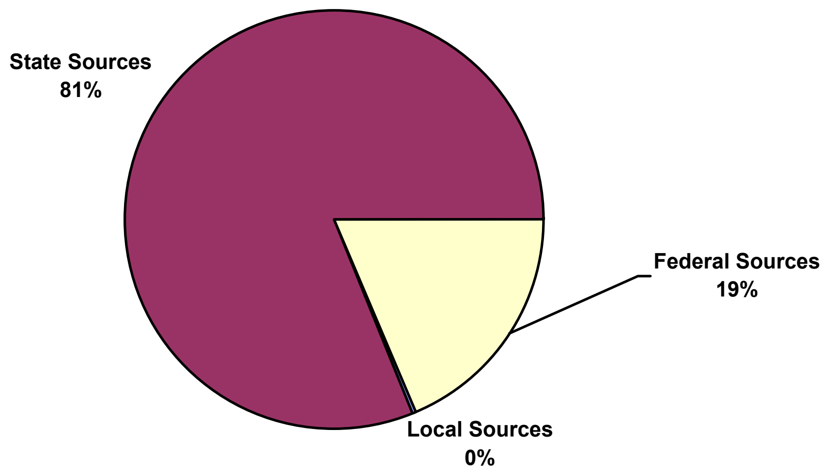
The following chart illustrates that general fund comprises 83.94% of all the expenditures within the governmental funds of George Washington Carver Academy. As of June 30, 2019, expenditures totaled $6,283,258 for all Academy programs. The ending fund balance for all funds was equal to $2,118,268.

	June 30, 2019 (In millions)	% Of TOTAL
General Fund	$5.27	83.91%
Debt Retirement Fund	.64	10.19%
Other Non-major Funds	.37	5.90%
Total	$6.28	100.00%

TOTAL REVENUES

Revenues for all governmental funds totaled $6,250,833. 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 $7,871 for the 2018-19 school year. This is a per-pupil increase of $240 from the prior year. State Aid membership was computed in 2018-19 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 2018-2019 fiscal period, the Academy had $7,639,184 invested in fixed assets. Of this amount, $3,634,086 has been depreciated. Net book value totaled $4,005,098. During the 2018-19 fiscal year, there were costs in the amount $108,700 related to the construction of a new roof on the main building.

CAPITAL ASSETS AT YEAR END
(NET OF DEPRECIATION)

	Governmental Activities
Land	$ 776,137
Buildings and Additions	3,206,350
Equipment and Furniture	22,611
Total	$4,005,098

Debt

As of June 30, 2019 the Academy has $4,920,000 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, 2019

		Governmental Activities
Assets		
Cash, Cash Equivalents and Investments	$	1,401,371
Accounts Receivable		13,235
Due from Other Governmental Units		1,336,096
Deposits		5,000
Prepaid Expenses		4,456
Capital Assets, Net of Depreciation		4,005,098
Total Assets		6,765,256
Deferred Outflows of Resources		
Deferred pension amounts		325,038
Deferred OPEB amounts		57,909
Total Deferred Outflows of Resources		382,947
Liabilities		
Accounts Payable		102,267
State Aid Notes Payable		62,420
Accrued Liabilities		453,017
Advances from Grantors		23,828
Accrued Interest on Long-Term Debt		133,250
Current Portion of Long-Term Debt		250,000
Noncurrent Liabilities:		
Net pension liability		399,939
Net OPEB Liability		112,714
Other		4,670,000
Total Liabilities		6,207,435
Deferred Inflows of Resources		
Deferred pension amounts		31,134
Deferred OPEB amounts		25,645
Total Deferred Inflows of Resources		56,779
Net Position		
Invested in Capital Assets, Net of Related Debt		(1,048,152)
Restricted for:		
Capital Projects		48,290
Debt Service		933,614
Unrestricted		950,237
Total Net Position	$	883,989

See accompanying notes to basic financial statements.

GEORGE WASHINGTON CARVER ACADEMY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
Functions/Programs:				
Governmental Activities:				
Instruction	$ 2,489,968	$ -	$ 1,748,371	$ (741,597)
Support Services	2,621,172	-	4,944	(2,616,228)
Community Services	115,893	-	-	(115,893)
Other Services	24,559	-	-	(24,559)
Food Services	372,123	-	402,147	30,024
Interest on Long-Term Debt	402,865	-	-	(402,865)
Unallocated Depreciation	123,850	-	-	(123,850)
Total Governmental Activities	$ 6,150,430	$ -	$ 2,155,462	(3,994,968)
General Purpose Revenues:				
State School Aid				4,079,616
Miscellaneous				15,755
Total General Revenue				4,095,371
Change in Net Position				100,403
Net Position - July 1				783,586
Net Position - June 30				$ 883,989

GEORGE WASHINGTON CARVER ACADEMY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019

	General Fund	Debt Retirement Fund	Non-Major Capital Projects Fund	Non-Major Fund- School Lunch	Total Governmental Funds
Assets					
Cash, Cash Equivalents and Investments	$ 346,647	$ 1,006,434	$ 48,290	$ -	$ 1,401,371
Due from Other Funds	105,820	-	-	30,024	135,844
Accounts Receivable	13,235	-	-	-	13,235
Due from Other Governmental Units	1,336,096	-	-	-	1,336,096
Deposits	5,000	-	-	-	5,000
Prepaid Expenses	4,456	-	-	-	4,456
Total Assets	$ 1,811,254	$ 1,006,434	$ 48,290	$ 30,024	$ 2,896,002
Liabilities and Fund Balance					
Liabilities:					
Accounts Payable	$ 102,267	$ -	$ -	$ -	$ 102,267
State Aid Notes Payable	62,420	-	-	-	62,420
Due to Other Funds	64,525	72,820	-	-	137,345
Advances from Grantors	23,828	-	-	-	23,828
Accrued Liabilities	451,516	-	-	-	451,516
Total Liabilities	704,556	72,820	-	-	777,376
Fund Balance:					
Non-Spendable	9,456	-	-	-	9,456
Restricted	-	933,614	48,290	30,024	1,011,928
Assigned	-	-	-	-	-
Unassigned	1,097,242	-	-	-	1,097,242
Total Fund Balance	1,106,698	933,614	48,290	30,024	2,118,626
Total Liabilities and Fund Balance	$ 1,811,254	$ 1,006,434	$ 48,290	$ 30,024	$ 2,896,002

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, 2019

Total Governmental Fund Balances		$ 2,118,626
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	$ 7,639,184	
Accumulated depreciation	(3,634,086)	4,005,098
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	(4,920,000)	
Net Pension Liability	(399,939)	
Net OPEB Liability	(112,714)	(5,432,653)
In the statement of net assets, interest has been accrued on Long-term Debt as of June 30, 2019		(133,250)
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		(31,134)
Deferred Outflows		325,038
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		(25,645)
Deferred Outflows		57,909
Total net position - governmental activities		$ 883,989

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, 2019

	General Fund	Debt Retirement Fund	Non-Major Capital Projects Fund	Non-Major Fund- School Lunch	Total Governmental Funds
Revenues:					
Local Sources	$ 1,172	$ 14,118	$ 465	$ -	$ 15,755
State Sources	5,049,125	-	-	25,379	5,074,504
Federal Sources	783,806	-	-	376,768	1,160,574
Total Revenues	5,834,103	14,118	465	402,147	6,250,833
Expenditures:					
Instruction:					
Basic Programs	1,782,134	-	-	-	1,782,134
Added Needs	707,834	-	-	-	707,834
Total Instruction	2,489,968	-	-	-	2,489,968
Support Services:					
Pupil Services	342,232	-	-	-	342,232
Instructional Staff	213,717	-	-	-	213,717
General Administration	270,176	-	-	-	270,176
School Administration	503,711	-	-	-	503,711
Business Services	226,549	-	-	-	226,549
Operation and Maintenance	744,640	-	-	-	744,640
Trnsportation	203,905	-	-	-	203,905
Support Services	136,691	-	-	-	136,691
Other Services	22,559	-	-	-	22,559
Community Services	115,893	-	-	-	115,893
Welfare Activities	2,000	-	-	-	2,000
Debt Service:					
Principal	-	230,000	-	-	230,000
Interest and Fiscal Charges	-	409,094	-	-	409,094
Other Supporting Services	-	-	-	372,123	372,123
Total Support Services	2,782,073	639,094	-	372,123	3,793,290
Total Expenditures	5,272,041	639,094	-	372,123	6,283,258
Excess (Deficiency) of Revenues Over/(Under) Expenditures	562,062	(624,976)	465	30,024	(32,425)
Other Financing Sources/(Uses):					
Operating Transfers	(672,094)	639,094	33,000	-	-
Total Other Financing Sources/(Uses)	(672,094)	639,094	33,000	-	-
Net Changes in Fund Balances	(110,032)	14,118	33,465	30,024	(32,425)
Fund Balance - July 1	1,216,730	919,496	14,825	-	2,151,051
Fund Balance - June 30	$ 1,106,698	$ 933,614	$ 48,290	$ 30,024	$ 2,118,626

See accompanying notes to basic financial statements.

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, 2019

Total net change in fund balances - governmental funds		$ (32,425)
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	$ 108,700	
Depreciation Expense	(123,850)	(15,150)
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.		230,000
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, 2019 was		6,229
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.		(83,693)
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.		(4,558)
Change in net position of governmental activities		$ 100,403

GEORGE WASHINGTON CARVER ACADEMY
STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
JUNE 30, 2019

		Agency Funds
Assets		
Due from other funds	$	1,501
Liabilities		
Due to student and other groups	$	1,501
Total liabilities	$	1,501

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, 2019 were $137,792.

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, 2019 were $145,409.

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, 2019 were $71,500.

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 81% 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
Business Services	$ 226,422	$ 226,549	$ (127)

Note 3 - Investments

At June 30, 2019 the Academy had the following investments:

Investment Type	Fair Value	Percent of Total
Pooled U.S.Treasury Obligations		
Capital Projects Fund	$ 48,290	5%
Debt Retirement Fund	1,006,434	95%
TOTAL	$1,054,724	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.

Note 3 – Investments (continued)

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, 2019, 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, 2019, the Academy had $162,785 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, 2018	Additions	Disposals and Adjustments	Balance June 30, 2019
Land	$ 776,137	$ -	$ -	$ 776,137
Buildings & Additions	5,172,116	108,700	-	5,280,816
Equipment & Furniture	1,582,231	-	-	1,582,231
Subtotal	7,530,484	108,700	-	7,639,184
Accumulated Depreciation:				
Building & Additions	1,954,184	120,282	-	2,074,466
Equipment & Furniture	1,556,052	3,568	-	1,559,620
Subtotal	3,510,236	123,850	-	3,634,086
Net capital assets	$ 4,020,248	$ (15,150)	$ -	$ 4,005,098

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, 2018	$ 5,150,000
Less: Payments	(230,000)
Balance June 30, 2019	4,920,000
Less: Current Portion	(250,000)
Total Due After One Year	$ 4,670,000

The Certificates of Participation are payable from the Debt Service Fund which is maintained at U.S. Bank. As of June 30, 2019, 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
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	350,000	292,906	642,906
2025-2029	2,245,000	967,078	3,212,078
2030-2031	1,185,000	98,109	1,283,109
Total	$ 4,920,000	$ 2,781,187	$ 7,701,187

Interest expenditures for 2018-2019 amounted to $409,094.

Note 6 – Interfund Transactions

The composition of interfund balances is as follows:

	Due From Other Funds	Due To Other Funds
General Fund	$ 42,796	$ 1,501
Debt Retirement Fund	-	72,820
School Lunch Fund	30,024	-
Agency Fund	1,501	-
Total	$ 74,321	$ 74,321

The Academy made the following interfund transfers during the year:

	Transfers To Other Funds	Transfers From Other Funds
General Fund	$ 672,094	$ -
Debt Retirement Fund	-	639,094
Capital Projects Fund	-	33,000
School Lunch Fund	-	-
	$ 672,094	$ 672,094

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 $9,456 in non-spendable assets at June 30, 2019.

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	$ 48,290
Debt service	933,614
School Lunch	30,024
Total Restricted	$ 1,011,928

Note 7 - Fund Balance (continued)

Committed fund balance represents constrained amounts imposed by school board resolution. The Academy had no amounts committed at June 30, 2019.

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.

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 $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. At June 30, 2019, there was a balance due of $62,420, plus accrued interest of $3,022.

The Academy was issued a State Aid Anticipation Loan through Michigan Finance Authority in the amount of $325,000 on September 5, 2019. This loan has an interest rate of 3.65% and matures on August 20, 2020. Eleven monthly payments in the amount of $30,128, beginning October 21, 2019 are required, with the final payment due on August 20, 2020

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.

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 21 year period beginning October 1, 2017 and ending September 30, 2039.

Note 11 – Defined Benefit Pension Plan (continued)

The schedule below summarizes pension contribution rates in effect for fiscal year ended September 30, 2018.

Pension Contribution Rates

Benefit Structure	Member	Employer
Basic	0.0 - 4.0 %	17.89 %
Member Investment Plan	3.0 - 7.0 %	17.89 %
Pension Plus	3.0 - 6.4 %	16.61 %
Pension Plus 2	6.2 %	19.74 %
Defined Contribution	0.0 %	13.54 %

Required contributions to the pension plan from the Academy were $36,227 for the year ended September 30, 2018.

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

At June 30, 2019, The Academy reported a liability of $399,939 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2017. 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, 2018, the Academy's proportion was .00133 percent, which was an increase of .00036 percent from its proportion measured at September 30, 2017.

For the year ended June 30, 2019, the Academy recognized total pension expense of $120,712. At June 30, 2019, 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	$	1,856	$	2,906
Changes of assumptions		92,626		-
Net difference between projected and actual earnings on pension plan investments		-		27,346
Changes in proportion and differences between Academy contributions and proportionate share of contributions		198,010		882
Academy contributions subsequent to the measurement date*		32,546		-
Total	**$**	**325,038**	**$**	**31,134**

*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, 2020.

<u>Note 11 – Defined Benefit Pension Plan (continued)</u>

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:
2019	$96,765
2020	$90,058
2021	$59,136
2022	$15,399

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, 2017
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return	
- MIP and Basic Plans (Non-Hybrid):	7.05%
- Pension Plus Plan (Hybrid):	7.0%
- Pension Plus 2:	6.0%
Projected Salary Increases:	2.75 – 11.55%, including wage inflation at 2.75%
Cost-of-Living Pension Adjustments:	3% Annual Non-Compounded for MIP Members

Mortality:	Retirees: RP-2014 Male and Female Combined Healthy Life Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006. Active Members: P-2014 Male and Female Employee Annuitant Mortality Tables, scaled to 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Note 11 – Defined Benefit Pension Plan (continued)

Notes:

- Assumption changes as a result of an experience study for the periods 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2017 valuation. The total pension liability as of September 30, 2018, is based on the results of an actuarial valuation date of September 30, 2017, 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: 4.5304

- Recognition period for assets in years is 5.0000

- Full actuarial assumptions are available in the 2018 MPSERS Comprehensive Annual Financial Report found in the OS website at www.michigan.gov/orsschools.

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, 2018, are summarized in the following table:

Asset Class	Target Allocation		Long Term Expected Real Rate of Return*	
Domestic Equity Pools	28.0	%	5.7	%
Private Equity Pools	18.0		9.2	
International Equity	16.0		7.2	
Fixed Income Pools	10.5		0.5	
Real Estate and Infrastructure Pools	10.0		3.9	
Absolute Return Pools	15.5		5.2	
Short Term Investment Pools	2.0		0.0	
TOTAL	100.0	%		

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

Rate of Return

For the fiscal year ended September 30, 2018, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 11.11%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Note 11 – Defined Benefit Pension Plan (continued)

Discount Rate

A discount rate of 7.05% was used to measure the total pension liability (7.0% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan provided through non-university employers only). This discount rate was based on the long term expected rate of return on pension plan investments of 7.05% (7.0% for the Pension Plus plan, 6% for the Pension Plus 2 plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the 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.

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 7.05% (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)* 6.05% / 6.0%/5.0%	**Current Single Discount Rate Assumption (Non-Hybrid/Hybrid)* 7.05% / 7.0%/6.0%**	**1% Increase (Non-Hybrid/Hybrid)* 8.05% / 8.0%/7.0%**
$525,089	$399,939	$295,960

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).

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

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.

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.

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

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, 2017 valuation will be amortized over a 21-year period beginning October 1, 2017 and ending September 30, 2038.

The schedule below summarizes OPEB contribution rates in effect for fiscal year 2018.

OPEB Contribution Rates

Benefit Structure	Member	Employer
Premium Subsidy	3.00 %	6.44 %
Personal Healthcare Fund (PHF)	0.00 %	6.13 %

Required contributions to the OPEB plan from the Academy were $9,204 for the year ended September 30, 2018.

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

At June 30, 2019, The Academy reported a liability of $112,714 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 30, 2017. The Academy'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, 2018, the Academy's proportion was .00142 percent, which was an increase of .00051 percent from its proportion measured as of October 1, 2017.

For the year ended June 30, 2019, the Academy recognized total OPEB expense of $13,850. At June 30, 2019, 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	$	-	$	20,979
Changes of assumptions		11,936		-
Net difference between projected and actual earnings on OPEB plan investments		-		4,332
Changes in proportion and differences between Academy contributions and proportionate share of contributions		38,598		334
Academy contributions subsequent to the measurement date*		7,375		-
Total	**$**	**57,909**	**$**	**25,645**

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, 2020. 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:
2019	$5,045
2020	$5,045
2021	$5,045
2022	$5,859
2023	$3,895

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, 2017
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return	7.15%
Projected Salary Increases:	2.75 – 11.55%, including wage inflation at 2.75%
Healthcare Cost Trend Rate:	7.5% Year 1 graded to 3.0% Year 12

Mortality:	Retirees: RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006. Active members: RP-2014 Male and Female Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

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 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2017 valuation. The total OPEB liability as of September 30, 2018, is based on the results of an actuarial valuation date of September 30, 2017, 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: 5.6018
- Recognition period for assets in years is 5.0000
- Full actuarial assumptions are available in the 2018 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, 2018, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.0 %	5.7 %
Private Equity Pools	18.0	9.2
International Equity	16.0	7.2
Fixed Income Pools	10.5	0.5
Real Estate and Infrastructure Pools	10.0	3.9
Absolute Return Pools	15.5	5.2
Short Term Investment Pools	2.0	0.0
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, 2018, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 10.75%. 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 7.15% 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 7.15%. 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 7.15%, 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 6.15%	Current Single Discount Rate 7.15%	1% Increase 8.15%
$135,311	$112,714	$93,707

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 6.15%	Current Healthcare Cost Trend Rate 7.15%	1% Increase 8.15%
$92,706	$112,714	$135,667

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2018 MPSERS CAFR, available on the ORS website at www.michigan.com/orsschools.

Note 13 – Subsequent Events

Management has reviewed subsequent events through October 18, 2019, 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, 2019

	Budget			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Local Sources	$ 7,700	$ 7,700	$ 1,172	$ (6,528)
State Sources	4,909,876	5,114,909	5,049,125	(65,784)
Federal Sources	721,342	810,184	783,806	(26,378)
Total Revenues	5,638,918	5,932,793	5,834,103	(98,690)
Expenditures:				
Education:				
Instruction:				
Basic Programs	1,956,714	1,795,459	1,782,134	13,325
Added Needs	676,055	713,215	707,834	5,381
Supporting Services:				
Pupil Services	307,338	344,372	342,232	2,140
Instructional Staff	100,289	226,151	213,717	12,434
General Administration	251,623	274,122	270,176	3,946
School Administration	432,480	505,256	503,711	1,545
Business Services	204,174	226,422	226,549	(127)
Operations & Maintenance	682,606	805,606	744,640	60,966
Transportation	199,245	219,906	203,905	16,001
Support Services	134,099	145,993	136,691	9,302
Other Services	37,014	22,559	22,559	-
Community Services	59,365	119,666	115,893	3,773
Welfare Activities	2,000	2,000	2,000	-
Total Expenditures	5,043,002	5,400,727	5,272,041	128,686
Excess (Deficiency) of Revenues Over Expenditures	595,916	532,066	562,062	29,996
Other Financing Sources/(Uses):				
Operating Transfers	(707,270)	(672,094)	(672,094)	-
Total Other Financing Sources/(Uses)	(707,270)	(672,094)	(672,094)	-
Net Change in Fund Balances	(111,354)	(140,028)	(110,032)	29,996
Fund Balance - July 1	1,216,730	1,216,730	1,216,730	-
Fund Balance - June 30	$ 1,105,376	$ 1,076,702	$ 1,106,698	$ 29,996

See accompanying notes to basic financial statements.

GEORGE WASHINGTON CARVER ACADEMY
REQUIRED SUPPLEMENTAL INFORMATION
PENSION PLAN INFORMATION
JUNE 30, 2019

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

	2018	2017
District's proportion of net pension liability (%)	0.00133%	0.00097%
District's proportionate share of net pension liability	$ 399,939	$ 252,301
District's covered-employee payroll	$ 120,000	$ 120,000
District's proportionate share of net pension liability as a percentage of its covered-employee payroll	333.28%	210.25%
Plan fiduciary net position as a percentage of total pension liability	62.36%	64.21%

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

	2019	2018
Statutorily required contributions	$ 38,021	$ 36,227
Contributions in relation to statutorily required contributions	$ 38,021	$ 36,227
Contribution deficiency/(excess)	$ -	$ -
District's covered-employee payroll	$ 123,000	$ 120,000
Contributions as a percentage of covered-employee payroll	30.91%	30.19%

Notes

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

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

	2018	2017
District's proportion of net OPEB liability (%)	0.00142%	0.00091%
District's proportionate share of net OPEB liability	$ 112,714	$ 80,668
District's covered-employee payroll	$ 120,000	$ 120,000
District's proportionate share of net OPEB liability as a percentage of its covered-employee payroll	93.93%	67.22%
Plan fiduciary net position as a percentage of total OPEB liability	42.95%	36.39%

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

	2019	2018
Statutorily required OPEB contributions	$ 9,754	$ 9,204
OPEB Contributions in relation to statutorily required contributions	$ 9,754	$ 9,204
Contribution deficiency/(excess)	$ -	$ -
District's covered-employee payroll	$ 123,000	$ 120,000
OPEB Contributions as a percentage of covered-employee payroll	7.93%	7.67%

Notes

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

UNIFORM GUIDANCE INFORMATION

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 18, 2019

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, 2019, 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 18, 2019.

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 18, 2019

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, 2019. 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, 2019.

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, 2019

Program Title	CFDA Number	Federal Grant Number	Approved Award Amount	Prior-Year Expenditures	Accrued (Deferred) Revenue, July 1, 2018	Current Year Federal Expenditures	Current Year Cash Receipts	Accrued (Deferred) Revenue, June 30, 2019
U.S. Department of Education:								
Passed through M.D.E.								
Title I, Part A	84.010	181530	$ 678,294	$ 616,359	$ 129,633	$ 19,353	$ 148,986	$ -
Title I, Part A	84.010	191530	601,593	-	-	589,667	320,473	269,194
			1,279,887	616,359	129,633	609,020	469,459	269,194
Title II, Part A Teacher /Principal Training & Recruiting	84.367	180520	62,987	61,871	10,529	-	10,529	-
Title II, Part A Teacher /Principal Training & Recruiting	84.367	190520	50,927	-	-	51,126	26,499	24,627
			113,914	61,871	10,529	51,126	37,028	24,627
Title IV, Part A Student Support & Academic Enrichment	84.424	180750	10,323	3,648	3,648	4,023	7,671	-
Title IV, Part A Student Support & Academic Enrichment	84.424	190750	42,652	-	-	29,952	-	29,952
			52,975	3,648	3,648	33,975	7,671	29,952
Total Passed through M.D.E.			1,446,776	681,878	143,810	694,121	514,158	323,773
Passed through Intermediate School District:								
IDEA Flowthrough	84.027	180450	105,260	105,260	105,260	-	105,260	-
IDEA Flowthrough	84.027	190450	89,685	-	-	89,685	-	89,685
Total Passed through Intermediate School District			194,945	105,260	105,260	89,685	105,260	89,685
Total U.S. Department of Education			1,641,721	787,138	249,070	783,806	619,418	413,458
U.S. Department of Agriculture:								
Passed through M.D.E.								
School Breakfast	10.553		92,833	-	-	92,833	87,415	5,418
School Lunch	10.555		249,212	-	-	249,212	233,493	15,719
Fresh Fruit and Vegatable Program	10.582		7,143	-	-	7,143	4,910	2,233
			349,188	-	-	349,188	325,818	23,370
U.S.D.A. Food Distributions:								
Entitlement Commodities	10.550		27,580	-	-	27,580	27,580	-
Total U.S. Department of Agriculture			376,768	-	-	376,768	353,398	23,370
Total all Federal Agencies			$ 2,018,489	$ 787,138	$ 249,070	$ 1,160,574	$ 972,816	$ 436,828

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, 2019

FEDERAL REVENUE RECOGNIZED PER SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	$	1,160,574
FEDERAL REVENUE RECOGNIZED PER THE GENERAL PURPOSE FINANCIAL STATEMENTS		
General Fund		783,806
School Service Funds		376,768
TOTAL	$	1,160,574

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 45 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, 2019

Current Payments Per the Grant Auditor's Report		$	861,113
Add:	Grants Passed Through the Intermediate School District		105,260
	Entitlement Commodities (CFDA 10.550)		27,580
	Total Additions		132,840
Subtract:	Grants included as paid per 18-19 Grant Auditor's Report, not actually received by Academy until 19-20 fiscal year		
	School Breakfast Program		(5,418)
	National School Lunch Program		(15,719)
	Fresh Fruit and Vegetable Program		-
	Total Subtractions		(21,137)
TOTAL CURRENT YEAR RECEIPTS PER SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS		$	972,816

GEORGE WASHINGTON CARVER ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

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 Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None