

Conner Creek Academy East

Roseville, Michigan

Audited Financial Statements

June 30, 2015

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Conner Creek Academy East

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Conner Creek Academy East, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Conner Creek Academy East's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities, each major fund, and the aggregate remaining fund information of Conner Creek Academy East, as of June 30, 2015, and the respective changes in financial position cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages iv - x and 21 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 provided any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Conner Creek Academy East's basic financial statements. The introductory section, combining and individual non-major fund financial statements, statistical section and schedules of revenues and expenditures, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual non-major fund financial statements, the schedule of expenditures of federal awards, and schedules of revenues and expenditures are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements, the schedule of expenditures of federal awards, and schedules of revenues and expenditures are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have 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 them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2015 on our consideration of Conner Creek Academy East's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Conner Creek Academy East's internal control over financial reporting and compliance.



Croskey Lanni, PC

October 28, 2015
Rochester, Michigan

MANAGEMENT’S DISCUSSION AND ANALYSIS

This section of Conner Creek Academy East, “CCAEE”, annual financial report presents our discussion and analysis of the school’s financial performance during the fiscal year that ended on June 30, 2015. Please read it in conjunction with the school’s financial statements, which immediately follow this section.

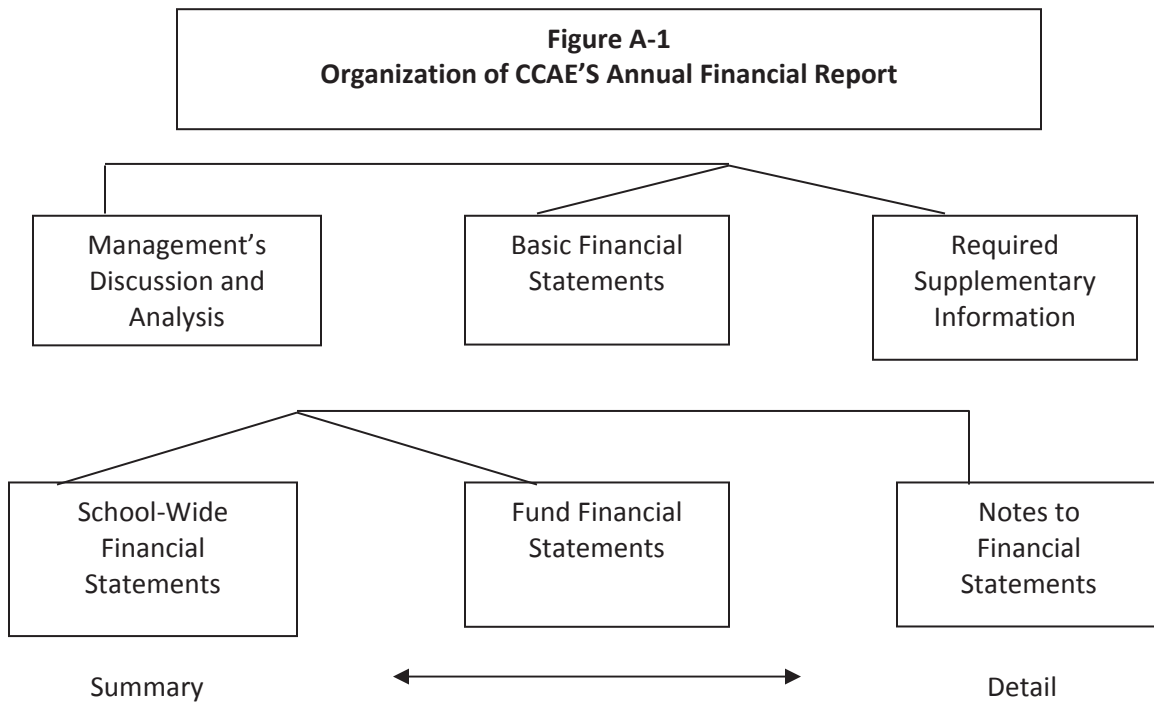
FINANCIAL HIGHLIGHTS

- ❖ The school’s financial status remains stable, although the Academy experienced a drop in enrollment. Leadership was quickly able to realign expenditures in order to assure only a small portion of fund balance was used.
 - The total cost of basic programs was \$3,319,153.
 - General Fund, Special Revenue Fund, and Debt Service Fund Revenues were at \$9,262,349 while expenditures for the General Fund, Special Revenue Fund, and Debt Service Fund were at \$9,334,623. There was a transfer from the General Fund to the Debt Service Fund to cover the 2007 Series Bond payments in the amount of \$1,130,075.
 - Blended enrollment used for state aid purposes was 986.95 compared to 997.50 last year.
- ❖ The school reduced its outstanding long-term debt, which consists primarily of a revenue bond by \$360,000.
- ❖ The school decreased its fund balance in the General Fund from \$537,514 to \$493,168 and increase its Debt Service fund balance from \$1,818,648 to \$1,826,248. The Academy’s fund balance is 6% of state revenue.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management’s discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the school:

- ❖ The first two statements are school-wide financial statements that provide both short-term and long-term information about the school’s overall financial status.
- ❖ The remaining statements are fund financial statements that focus on individual parts of the school, reporting the schools operations in more detail.
- ❖ The governmental funds statements tell how basic services like regular and special education were financed.
- ❖ Fiduciary funds statements provide information about the financial relationships in which the school acts solely as a trustee or agent for the benefit of others. These consist of student activity funds held by the school on behalf of the student group.



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

**Figure A-2
Major Features of School-Wide and Fund Financial Statements**

Fund Financial Statements			
	School-Wide Statements	Government Funds	Fiduciary Funds
Scope	Entire school (except fiduciary funds)	The activities of the school that are not proprietary or fiduciary, such as special education and building maintenance.	Instances in which the school administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required Financial Statements	*Statement of net position *Statement of activities	*Balance sheet *Statement of revenues, expenditures and changes in fund balances	*Statement of fiduciary net assets *Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

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

SCHOOL-WIDE STATEMENTS

The school-wide statements report information about the school as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the school's assets, deferred outflows, liabilities, and deferred inflows. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two school wide statements report the school's net position and how it has changed. Net position – the difference between the school's assets, deferred outflows, liabilities and deferred inflows – are one way to measure the school's financial health or position.

- ❖ Over time, increases or decreases in the school's position is an indicator of whether its financial position is improving or deteriorating, respectively.
- ❖ To assess the overall health of the school, you need to consider additional non-financial factors such as changes in the school's enrollment and the condition of school buildings and other facilities.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the school's funds, focusing on its most significant or "major" funds – not the school as a whole. Funds are accounting devices the school uses to keep track of specific sources of funding and spending on particular programs:

- ❖ *Governmental activities* – Most of the school's basic services are included in the general fund, such as regular and special education and administration. State foundation aid finances most of these activities.
- ❖ The school establishes other funds to control and manage money for particular purposes (like repaying its long-term debts) or to show that it is properly using certain revenues.

The school has two kinds of funds:

- ❖ *Governmental funds* – Most of the school's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the school's programs. Because this information does not encompass the additional long-term focus of the school-wide statements, we provide additional information with governmental fund statements that explain the relationship (or differences) between them.
- ❖ *Fiduciary funds* – The school is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. We exclude these activities from the school-wide financial statements because the school cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

The comparison of current year to prior year financial information is on the following pages. See figures A-3, A-4 and A-5.

The school's financial position is the product of many factors. The asset depreciation schedule was implemented as required by GASB 34.

School Governmental

The stability of the school's finances is a result of the following measures:

- ❖ Continual improvement of academic programs.
- ❖ Strategic effort by school leadership to control costs and use resources where it will more benefit the student population.

General Fund Budgetary Analysis

We continue to use the 16 month Budget Calendar which allows us to be proactive in making timely adjustments. The calendar allows the entire Board several opportunities for input before a budget is adopted. It also provides the budget committee additional times for input in the development of the budget with the school's financial office. Because of this timeline the Board felt they had much more influence in the process as well as the actual development of the budget. Some highlights of the year included:

- ❖ Student enrollment declined slightly this year. The Academy continues to work to retain and attract students in the Metro Detroit area and expects 2015-16 enrollment to remain constant, if not grow slightly.
- ❖ 5 year budgetary process continues to be reviewed regularly.

Financial Outlook

The school continues to work to maintain or build its fund balance in the ever changing school environment. The State has increased pupil funding but it has not yet recovered from a \$470 cut several years ago. The school climate in Michigan continues to be competitive by the School's leadership continues to improve its programs to benefit the students of Macomb and Wayne counties.

**Figure A-3
Conner Creek Academy East's Net Position**

	2015	2014
Current assets and deferred outflows	\$ 3,675,720	\$ 3,717,614
Capital assets, net	12,320,839	12,596,560
Total assets and deferred outflows	15,996,559	16,314,174
Current liabilities and deferred inflows	1,799,793	1,785,512
Long term liabilities	14,221,138	14,585,000
Net Position:		
Net investment in capital assets	(2,285,600)	(2,348,440)
Restricted	1,830,620	1,818,648
Unrestricted	430,608	473,454
Total net position	\$ (24,372)	\$ (56,338)

**Figure A-4
Changes in Conner Creek Academy East's Net Position**

	2015	2014
Revenues:		
Program revenues:		
Federal and state categorical grants	\$ 1,981,535	\$ 2,062,609
Charges for service	97,654	90,577
Total program revenues	2,079,189	2,153,186
General revenues:		
State aid - unrestricted	7,127,562	7,143,260
Other	55,598	95,916
Total general revenues	7,183,160	7,239,176
Total revenues	9,262,349	9,392,362
Expenses:		
Instruction	3,319,153	3,596,135
Support services	4,819,617	4,779,140
Unallocated depreciation	331,501	353,254
Unallocated interest	760,112	775,807
Total expenses	9,230,383	9,504,336
Change in net position	\$ 31,966	\$ (111,974)

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2015 the school had invested \$16,459,661 in capital assets, including computers and software. See figure A-5 below for a listing of capital assets, and the accumulated depreciation.

Figure A-5
Conner Creek Academy East's Capital Assets

	<u>Balance</u> <u>June 30, 2015</u>	<u>Balance</u> <u>June 30, 2014</u>
Land	\$ 4,025,718	\$ 4,025,718
Building and improvements	10,859,471	10,813,964
Computers, furniture and equipment	<u>1,574,472</u>	<u>1,564,199</u>
Total cost	16,459,661	16,403,881
Less accumulated depreciation	<u>4,138,822</u>	<u>3,807,321</u>
Net book value	<u><u>\$ 12,320,839</u></u>	<u><u>\$ 12,596,560</u></u>

Long-Term Debt

At year end the school had debt of \$14,585,000 consisting of a revenue bond, further described in Note 8 to the financial statements and capital equipment leases.

- ❖ The school continued to pay down its debt, retiring \$360,000 on its revenue bonds.

FACTORS BEARING ON THE SCHOOL'S FUTURE

While the school's financial future is not as strong as we would like, its academic growth over the past couple of years has seen significant growth. After a trend of decreasing test scores, with all of the new initiatives that have been put into place, we are now seeing a rise in our scores. More importantly we believe the students are becoming much more concerned with how they are doing in school and want to do better. This is not only reflected in their test scores but also in their doing their daily work. A few other highlights are:

- ❖ Participation in the TEAMS grant which brought incentive pay to some teachers as well as continued professional development.
- ❖ MC academic intervention program.
- ❖ Continuation of DATA teams at both elementary and MC to help school improvement.

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

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

Conner Creek Academy East, 16911 Eastland, Roseville, MI 48066 (586) 779-8055

CONNER CREEK ACADEMY EAST

STATEMENT OF NET POSITION
JUNE 30, 2015
See Independent Auditor's Report

ASSETS AND DEFERRED OUTFLOWS

Current Assets

Cash and cash equivalents	\$ 194,203
Investments - restricted for debt service and capital projects	1,826,248
Due from other governmental units	1,548,884
Prepaid expenses	<u>106,385</u>
Total current assets	3,675,720

Capital Assets - Net of Accumulated Depreciation

12,320,839

Total assets and deferred outflows

\$ 15,996,559

LIABILITIES, DEFERRED INFLOWS AND NET POSITION

Current Liabilities

Accounts payable	\$ 252,437
Notes payable	636,112
Other accrued expenses	525,943
Long-term debt - current portion	<u>385,301</u>
Total current liabilities	1,799,793

Long-Term Debt - Long-Term Portion

14,221,138

Net Position

Net investment in capital assets	(2,285,600)
Restricted for debt services and capital projects	1,830,620
Unrestricted	<u>430,608</u>
Total net position	<u>(24,372)</u>
Total liabilities, deferred inflows and net position	<u>\$ 15,996,559</u>

See accompanying notes to financial statements

CONNER CREEK ACADEMY EAST

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015
See Independent Auditor's Report

	<u>Expenses</u>	<u>Program Revenues</u>		Net (Expense) Revenues and Changes in Net Assets Government Type Activities
		<u>Charges for Services</u>	<u>Operating Grants</u>	
Functions				
Instruction				
Basic programs	\$ 2,162,467	\$ -	\$ 140,327	\$ (2,022,140)
Added needs	1,156,686	-	1,045,891	(110,795)
Support services				
Pupil support services	300,001	-	132,689	(167,312)
Instructional staff support services	247,769	-	81,037	(166,732)
General administration	486,846	-	-	(486,846)
School administration	1,057,292	-	-	(1,057,292)
Business support services	152,953	-	8,000	(144,953)
Operations and maintenance	857,591	-	-	(857,591)
Pupil transportation services	754,746	-	20,000	(734,746)
Central support services	69,471	-	-	(69,471)
Athletic activities	159,636	2,862	-	(156,774)
Food services	694,088	76,248	536,841	(80,999)
Community services	39,224	18,544	16,750	(3,930)
Unallocated depreciation	331,501	-	-	(331,501)
Unallocated interest	760,112	-	-	(760,112)
Total primary government	<u>\$ 9,230,383</u>	<u>\$ 97,654</u>	<u>\$ 1,981,535</u>	<u>(7,151,194)</u>
General Purpose Revenues				
State school aid - unrestricted				7,127,562
Miscellaneous revenues				55,598
Total general purpose revenues				<u>7,183,160</u>
Change in net position				31,966
Net position - July 1, 2014				<u>(56,338)</u>
Net position - June 30, 2015				<u>\$ (24,372)</u>

See accompanying notes to financial statements

CONNER CREEK ACADEMY EAST

COMBINED BALANCE SHEET – ALL GOVERNMENTAL FUNDS

JUNE 30, 2015

See Independent Auditor's Report

ASSETS

	General	Debt Service	Special Revenue	Total
Cash and cash equivalents	\$ 191,276	\$ -	\$ 2,927	\$ 194,203
Investments	-	1,826,248	-	1,826,248
Due from other funds	-	-	5,148	5,148
Due from other governmental units	1,548,884	-	-	1,548,884
Prepaid expenses	106,385	-	-	106,385
 Total assets	 \$ 1,846,545	 \$ 1,826,248	 \$ 8,075	 \$ 3,680,868

LIABILITIES AND FUND BALANCE

Liabilities

Accounts payable	\$ 252,437	\$ -	\$ -	\$ 252,437
Notes payable	636,112	-	-	636,112
Due to other funds	1,445	-	3,703	5,148
Other accrued expenses	463,383	-	-	463,383
 Total liabilities	 1,353,377	 -	 3,703	 1,357,080

Fund Balance

Nonspendable	106,385	-	-	106,385
Restricted	-	1,826,248	4,372	1,830,620
Unassigned	386,783	-	-	386,783
 Total fund balance	 493,168	 1,826,248	 4,372	 2,323,788
 Total liabilities and fund balance	 \$ 1,846,545	 \$ 1,826,248	 \$ 8,075	 \$ 3,680,868

See accompanying notes to financial statements

CONNER CREEK ACADEMY EAST

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET POSITION OF GOVERNMENTAL ACTIVITIES JUNE 30, 2015

See Independent Auditor's Report

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

Total Governmental Fund Balances	\$ 2,323,788
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$16,459,661 and the accumulated depreciation is \$4,138,822.	12,320,839
Interest is not payable until due in governmental activities and, therefore, is not recorded in the funds.	(62,560)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(14,606,439)</u>
Net Position of Governmental Activities	<u><u>\$ (24,372)</u></u>

See accompanying notes to financial statements

CONNER CREEK ACADEMY EAST

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE – ALL GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015
See Independent Auditor's Report

	<u>General</u>	<u>Debt Service</u>	<u>Special Revenue</u>	<u>Total</u>
Revenues				
Local sources	\$ 77,004	\$ -	\$ 76,248	\$ 153,252
State sources	7,716,353	-	19,786	7,736,139
Federal sources	825,117	-	517,055	1,342,172
Interdistrict sources	30,786	-	-	30,786
Total governmental fund revenues	<u>8,649,260</u>	<u>-</u>	<u>613,089</u>	<u>9,262,349</u>
Expenditures				
Instruction				
Basic programs	2,162,467	-	-	2,162,467
Added needs	1,156,686	-	-	1,156,686
Support services				
Pupil support services	300,001	-	-	300,001
Instructional staff support services	247,769	-	-	247,769
General administration	486,846	-	-	486,846
School administration	1,057,292	-	-	1,057,292
Business support services	150,203	2,750	-	152,953
Operations and maintenance	857,591	-	-	857,591
Pupil transportation services	754,746	-	-	754,746
Central support services	69,471	-	-	69,471
Athletic activities	159,636	-	-	159,636
Food services	-	-	694,088	694,088
Community services	39,224	-	-	39,224
Capital outlay	55,780	-	-	55,780
Debt principal and interest	20,348	1,119,725	-	1,140,073
Total governmental fund expenditures	<u>7,518,060</u>	<u>1,122,475</u>	<u>694,088</u>	<u>9,334,623</u>
Excess (deficiency) of revenues over expenditures	1,131,200	(1,122,475)	(80,999)	(72,274)
Other Financing Sources (Uses)				
Proceeds from long-term debt	39,900	-	-	39,900
Operating transfers in	-	1,130,075	85,371	1,215,446
Operating transfers out	(1,215,446)	-	-	(1,215,446)
Total other financing sources (uses)	<u>(1,175,546)</u>	<u>1,130,075</u>	<u>85,371</u>	<u>39,900</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	(44,346)	7,600	4,372	(32,374)
Fund balance - July 1, 2014	<u>537,514</u>	<u>1,818,648</u>	<u>-</u>	<u>2,356,162</u>
Fund balance - June 30, 2015	<u>\$ 493,168</u>	<u>\$ 1,826,248</u>	<u>\$ 4,372</u>	<u>\$ 2,323,788</u>

See accompanying notes to financial statements

CONNER CREEK ACADEMY EAST

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015
See Independent Auditor's Report

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

Net Change in Fund Balances - Total Governmental Funds	\$	(32,374)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation and amortization expense. This is the amount by which capital outlays exceeded depreciation and amortization in the current period

Capital outlay	\$	55,780	
Depreciation and amortization expense		<u>(331,501)</u>	(275,721)

The governmental funds report loan proceeds as an other financing source, while repayment of loan principal is reported as an expenditure. Interest is recognized as an expenditure in the governmental funds when it is due. The net effect of these differences in the treatment of general loan obligations is as follows:

Proceeds from long-term debt	\$	(39,900)	
Repayment of loan principal		378,461	
Interest expense		<u>1,500</u>	<u>340,061</u>

Change in Net Position of Governmental Activities	\$	<u>31,966</u>
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See accompanying notes to financial statements

CONNER CREEK ACADEMY EAST

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUND

JUNE 30, 2015

See Independent Auditor's Report

ASSETS

Cash and cash equivalents	<u>\$ 29,514</u>
Total assets	<u><u>\$ 29,514</u></u>

LIABILITIES

Due to student groups	<u>\$ 29,514</u>
Total liabilities	<u><u>\$ 29,514</u></u>

See accompanying notes to financial statements

CONNER CREEK ACADEMY EAST

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015
See Independent Auditor's Report

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

The Academy entered into a contract with Ferris State University's Board of Trustees through June 30, 2018 to charter a public school academy. The contract requires the Academy to act exclusively as a governmental agency and not undertake any action inconsistent with its status as an entity authorized to receive state school aid funds pursuant to the State constitution. The University's Board of Trustees is the fiscal agent for the Academy and is responsible for overseeing the Academy's compliance with the contract and all applicable laws. The Academy pays Ferris State University's Board of Trustees three percent of state aid as administrative fees. Total administrative fees paid for the year ended June 30, 2015 were approximately \$216,120.

In July 2013, the Academy entered into an agreement with CS Partners, LLC – "CSP" through June 30, 2015. The agreement has been subsequently renewed. Under the terms of this agreement, CSP provides a variety of services including payroll, other human resource services, and various business services. The Academy is obligated to pay CSP three and a half percent of its gross payroll expenses and a flat fee of \$50,000 for the business services. The total paid for these services amounted to approximately \$179,860 for the year ended June 30, 2015.

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

Fund Financial Statements

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

CONNER CREEK ACADEMY EAST

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2015
See Independent Auditor's Report

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Basis of Presentation – Fund Accounting

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

Governmental Funds

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

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

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

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

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

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

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

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

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

CONNER CREEK ACADEMY EAST

NOTES TO FINANCIAL STATEMENTS - Continued

FOR THE YEAR ENDED JUNE 30, 2015

See Independent Auditor's Report

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

- b. Revenue that is both measurable and available for use to finance operations is recorded as revenue when earned. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Academy considers revenues to be available if they are collected within sixty days of the end of the current fiscal period.
- c. Payments for inventorable types of supplies, which are not significant at year end, are recorded as expenditures at the time of purchase.
- d. Principal and interest of general long-term debt are not recorded as expenditures until their due dates.
- e. The State of Michigan utilizes a foundation allowance funding approach, which provides for specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenue from state sources is primarily governed by the School Aid Act and the School Code of Michigan. The state portion of the foundation is provided from the State's School Aid Fund and is recognized as revenue in accordance with state law. A major portion of the Academy's revenue is derived from this state aid. As such, the Academy is considered to be economically dependent on this aid. The Academy's existence is dependent upon qualification for such aid.

Government-Wide Financial Statements

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

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

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

CONNER CREEK ACADEMY EAST

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2015
See Independent Auditor's Report

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

Cash and Cash Equivalents

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

Receivables

Receivables at June 30, 2015 consist primarily of state school aid due from the State of Michigan and the federal government. All receivables are expected to be fully collected in July and August of 2015 and are considered current for the purposes of these financial statements.

Prepaid Assets

Payments made to vendors for services that will benefit periods beyond June 30, 2015, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

CONNER CREEK ACADEMY EAST

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2015
See Independent Auditor's Report

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Capital Assets and Depreciation

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

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

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

Accrued Liabilities and Long-Term Obligations

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

Net Position

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

Fund Equity

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

CONNER CREEK ACADEMY EAST

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2015
See Independent Auditor's Report

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

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

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

The Academy follows the policy that restricted, committed, or assigned amounts will be considered to have been spent when an expenditure is incurred for purposes for which both unassigned and restricted, committed, or assigned fund balances are available.

Estimates

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

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

CONNER CREEK ACADEMY EAST

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2015
See Independent Auditor's Report

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - Continued

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. State law requires the Academy to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. The Academy is required by law to adopt a general fund budget. During the year ended June 30, 2015 the budget was amended in a legally permissible manner. The Academy had expenditures insignificantly in excess of appropriations as detailed on page 21 of these financial statements.

NOTE 3 - DEPOSITS AND INVESTMENTS

As of June 30, 2015, the Academy had the following investments:

<u>Type</u>	<u>S&P Rating</u>	<u>Maturities</u>	<u>Carrying Value</u>
Deposits:			
Demand deposits			\$ 223,717
Investments:			
U.S. Treasury and agency obligations	AAAm	Various	<u>1,826,248</u>
Total deposits and investments			<u>\$ 2,049,965</u>

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

Deposits:			
Cash - General Fund			\$ 191,276
Cash - Special Revenue Fund			2,927
Cash - Agency Fund			<u>29,514</u>
Total deposits			223,717
Investments:			
Investments - Debt Service			<u>1,826,248</u>
Total deposits and investments			<u>\$ 2,049,965</u>

CONNER CREEK ACADEMY EAST

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2015
See Independent Auditor's Report

NOTE 3 - DEPOSITS AND INVESTMENTS - Continued

Interest Rate Risk

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

Credit Risk

State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2015, the Academy's investments were rated AAAM by Standards & Poor's and Aaa by Moody's Investors Service.

Concentration of Credit Risk

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

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. As of June 30, 2015, none of the Academy's cash was exposed to custodial credit risk. All cash balances were uncollateralized as of June 30, 2015.

Custodial Credit Risk - Investments

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

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

Foreign Currency Risk

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

CONNER CREEK ACADEMY EAST

NOTES TO FINANCIAL STATEMENTS - Continued
 FOR THE YEAR ENDED JUNE 30, 2015
 See Independent Auditor's Report

NOTE 4 – DUE FROM OTHER GOVERNMENTAL UNITS

Amounts due from other governmental units consist of the following:

State sources	\$ 1,403,898
Federal sources	<u>144,986</u>
Total	<u>\$ 1,548,884</u>

NOTE 5 - CAPITAL ASSETS

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

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2015</u>
Capital assets not subject to depreciation				
Land	\$ 4,025,718	\$ -	\$ -	\$ 4,025,718
Capital assets subject to depreciation				
Building and improvements	10,813,964	45,507	-	10,859,471
Furniture and equipment	1,307,920	7,881	-	1,315,801
Computer	<u>256,279</u>	<u>2,392</u>	<u>-</u>	<u>258,671</u>
Sub-total	16,403,881	55,780	-	16,459,661
Accumulated depreciation				
Building and improvements	2,370,513	272,748	-	2,643,261
Furniture and equipment	1,230,344	30,335	-	1,260,679
Computer	<u>206,464</u>	<u>28,418</u>	<u>-</u>	<u>234,882</u>
Sub-total	<u>3,807,321</u>	<u>331,501</u>	<u>-</u>	<u>4,138,822</u>
Total net capital assets	<u>\$ 12,596,560</u>	<u>\$ (275,721)</u>	<u>\$ -</u>	<u>\$ 12,320,839</u>

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

CONNER CREEK ACADEMY EAST

NOTES TO FINANCIAL STATEMENTS - Continued
 FOR THE YEAR ENDED JUNE 30, 2015
 See Independent Auditor's Report

NOTE 6 – NOTES PAYABLE

Loan Information

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Other</u>
SAAN 13/14	4.50%	August, 2014	Paid in full
Loan 14/15	10.00%	September, 2014	Paid in full
Loan 14/15 - 2	10.00%	November, 2014	Paid in full
SAAN 14/15	4.78%	June, 2015	Paid in full
SAAN 14/15 - 2	4.79%	June, 2015	Paid in full
SAAN 14/15 - 3	4.99%	August, 2015	Issued to provide funds to Academy to finance school operations; Secured by future state aid payments
SAAN 14/15 - 4	4.80%	August, 2015	Issued to provide funds to Academy to finance school operations; Secured by future state aid payments

Loan Activity

	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Retirements and Payments</u>	<u>Balance June 30, 2015</u>
SAAN 13/14	\$ 600,000	\$ -	\$ 600,000	\$ -
Loan 14/15	-	250,000	250,000	-
Loan 14/15 - 2	-	300,000	300,000	-
SAAN 14/15	-	1,000,000	1,000,000	-
SAAN 14/15 - 2	-	1,000,000	1,000,000	-
SAAN 14/15 - 3	-	1,000,000	600,000	400,000
SAAN 14/15 - 4	-	236,112	-	236,112
Total notes payable	<u>\$ 600,000</u>	<u>\$ 3,786,112</u>	<u>\$ 3,750,000</u>	<u>\$ 636,112</u>

NOTE 7 – ACCRUED EXPENSES

Accrued expenses as of June 30, 2015 may be summarized as follows:

	<u>Net Position</u>	<u>Funds</u>
Purchased services - payroll and benefits	\$ 415,888	\$ 415,888
University oversight fee	42,043	42,043
Interest	68,012	5,452
Total accrued expenses	<u>\$ 525,943</u>	<u>\$ 463,383</u>

CONNER CREEK ACADEMY EAST

NOTES TO FINANCIAL STATEMENTS - Continued
 FOR THE YEAR ENDED JUNE 30, 2015
 See Independent Auditor's Report

NOTE 8 - LONG-TERM OBLIGATIONS PAYABLE

The following is a summary of long-term obligations for the Academy during the year ended June 30, 2015:

Loan Information

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Other</u>
Capital lease 1	7.84%	June, 2017	Collateralized by Academy equipment
Revenue bond 1	5%	June, 2037	Collateralized by a mortgage on the Academy's facility as well as a pledge for 20% of the State school aid payments and funds held in trust for debt service

Loan Activity

	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Retirements and Payments</u>	<u>Balance June 30, 2015</u>	<u>Due Within One Year</u>
Capital lease 1	\$ -	\$ 39,900	\$ 18,461	\$ 21,439	\$ 10,301
Revenue bond 1	14,945,000	-	360,000	14,585,000	375,000
Revenue bond 1	<u>\$ 14,945,000</u>	<u>\$ 39,900</u>	<u>\$ 378,461</u>	<u>\$ 14,606,439</u>	<u>\$ 385,301</u>

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

	<u>Principal</u>	<u>Interest</u>
2016	\$ 385,301	\$ 752,040
2017	411,138	732,453
2018	415,000	711,975
2019	440,000	691,225
2020	455,000	669,225
2021 - 2025	2,650,000	2,980,875
2026 - 2030	3,400,000	2,241,713
2031 - 2035	4,365,000	1,258,688
2036 - 2037	2,085,000	165,638

CONNER CREEK ACADEMY EAST

NOTES TO FINANCIAL STATEMENTS - Continued
 FOR THE YEAR ENDED JUNE 30, 2015
 See Independent Auditor's Report

NOTE 8 - LONG-TERM OBLIGATIONS PAYABLE

Following are minimum future lease agreements under capital leases for the next two years and in total:

2016	\$ 11,616
2017	<u>11,616</u>
Subtotal	23,232
Less amount representing interest	<u>1,793</u>
Present value of minimum lease payments	<u><u>\$ 21,439</u></u>

NOTE 9 – OPERATING LEASES

Lease Information

	<u>Maturity Date</u>	<u>Approximate Payment</u>	<u>Other</u>
Facilities	June, 2018	\$12,419 monthly	Automatically renews for five years if not terminated

The approximate amount of lease obligations coming due during the next three years are as follows:

	<u>Facilities</u>
2016	\$ 149,028
2017	149,028
2018	149,028

Total lease expense included in the statement of activities for the year ended June 30, 2015 amounted to approximately \$161,450.

CONNER CREEK ACADEMY EAST

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2015
See Independent Auditor's Report

NOTE 10 - INTERFUND TRANSFERS

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

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>
Transfer In	\$ -	\$ 85,371	\$ 1,130,075
Transfer Out	1,215,446	-	-

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

NOTE 11 - RISK MANAGEMENT

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

SUPPLEMENTAL INFORMATION

CONNER CREEK ACADEMY EAST

REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015
See Independent Auditor’s Report

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues				
Local sources	\$ 75,000	\$ 71,800	\$ 77,004	\$ 5,204
State sources	7,896,592	7,713,548	7,716,353	2,805
Federal sources	953,572	853,412	825,117	(28,295)
Interdistrict sources	42,000	37,000	30,786	(6,214)
Total general fund revenues	8,967,164	8,675,760	8,649,260	(26,500)
Expenditures				
Instruction				
Basic programs	2,291,377	2,149,025	2,162,467	13,442
Added needs	1,447,012	1,200,917	1,156,686	(44,231)
Support services				
Pupil support services	258,253	303,470	300,001	(3,469)
Instructional staff support services	220,496	266,847	247,769	(19,078)
General administration	465,473	481,093	486,846	5,753
School administration	1,019,210	1,070,199	1,057,292	(12,907)
Business support services	105,600	145,933	150,203	4,270
Operations and maintenance	769,267	882,002	857,591	(24,411)
Pupil transportation services	768,000	753,540	754,746	1,206
Central support services	70,500	82,200	69,471	(12,729)
Athletic activities	171,525	170,310	159,636	(10,674)
Community services	37,320	43,081	39,224	(3,857)
Capital outlay	78,500	89,200	55,780	(33,420)
Debt principal and interest	-	-	20,348	20,348
Total general fund expenditures	7,702,533	7,637,817	7,518,060	(119,757)
Excess (deficiency) of revenues over expenditures	1,264,631	1,037,943	1,131,200	93,257
Other Financing Sources (Uses)				
Proceeds from long-term debt	-	75,000	39,900	(35,100)
Operating transfers out	(1,189,112)	(1,185,500)	(1,215,446)	(29,946)
Total other financing sources (uses)	(1,189,112)	(1,110,500)	(1,175,546)	(65,046)
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	75,519	(72,557)	(44,346)	28,211
Fund balance - July 1, 2014	537,514	537,514	537,514	-
Fund balance - June 30, 2015	<u>\$ 613,033</u>	<u>\$ 464,957</u>	<u>\$ 493,168</u>	<u>\$ 28,211</u>

CONNER CREEK ACADEMY EAST

SCHEDULE OF REVENUES – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015
See Independent Auditor’s Report

Local Sources

Other local revenues	\$	77,004
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State Sources

At risk		443,729
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Special education		145,062
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State aid		<u>7,127,562</u>
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Total state sources		7,716,353
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Federal Sources

IDEA		217,674
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Title I		577,351
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Title II A		12,938
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Other program revenue		<u>17,154</u>
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Total federal sources		825,117
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Interdistrict Sources

		<u>30,786</u>
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Total general fund revenues	\$	<u><u>8,649,260</u></u>
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CONNER CREEK ACADEMY EAST

SCHEDULE OF EXPENDITURES – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2015 See Independent Auditor’s Report

Basic Programs

Purchased services	\$ 2,047,353
Rentals	32,067
Supplies and materials	46,908
Non-depreciable capital assets	20,615
Other expenditures	15,524
	<hr/>
Total basic programs	2,162,467

Added Needs

Purchased services	1,109,230
Rentals	716
Supplies and materials	30,900
Non-depreciable capital assets	10,850
Other expenditures	4,990
	<hr/>
Total added needs	1,156,686

Pupil Support Services

Guidance services	97,774
Psychological services	42,791
Speech pathology and audiology	72,703
Social work services	57,350
Other pupil services	29,383
	<hr/>
Total pupil support services	300,001

Instructional Staff Support Services

Purchased services	247,769
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General Administration

Purchased services	482,287
Other expenditures	4,559
	<hr/>
Total general administration	486,846

School Administration

Purchased services	983,139
Rentals	694
Supplies and materials	68,286
Non-depreciable capital assets	4,363
Other expenditures	810
	<hr/>
Total school administration	1,057,292

CONNER CREEK ACADEMY EAST

SCHEDULE OF EXPENDITURES – GENERAL FUND - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2015
See Independent Auditor's Report

Business Support Services	
Purchased services	61,036
Rentals	364
Other expenditures	88,803
	<hr/>
Total business support services	150,203
Operations and Maintenance	
Purchased services	364,154
Repairs and maintenance	187,372
Rentals	162,453
Other purchased services	9,516
Supplies and materials	134,096
	<hr/>
Total operations and maintenance	857,591
Pupil Transportation Services	
Rentals	754,746
Central Support Services	
Purchased services	68,328
Supplies and materials	1,143
	<hr/>
Total central support services	69,471
Athletic Activities	
Purchased services	88,885
Rentals	9,461
Supplies and materials	56,280
Other expenditures	5,010
	<hr/>
Total athletic activities	159,636
Community Services	
Purchased services	20,686
Supplies and materials	18,262
Other expenditures	276
	<hr/>
Total community services	39,224
Capital Outlay	55,780
Debt Principal and Interest	20,348
	<hr/>
Total general fund expenditures	<u><u>\$ 7,518,060</u></u>

APPENDIX

Federal Awards

Supplemental 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*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Conner Creek Academy East, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Conner Creek Academy East's basic financial statements, and have issued our report thereon dated October 28, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



Croskey Lanni, PC

October 28, 2015
Rochester, Michigan

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

We have audited Conner Creek Academy East's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Conner Creek Academy East's major federal programs for the year ended June 30, 2015. Conner Creek Academy East's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with 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 Conner Creek Academy East's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 Conner Creek Academy East's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Conner Creek Academy East, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of Conner Creek Academy East is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Conner Creek Academy East's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Conner Creek Academy East's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Croskey Lanni, PC

October 28, 2015
Rochester, Michigan

CONNER CREEK ACADEMY EAST

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2015

Program Title/Project Number Subrecipient Name	CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue at July 1, 2014	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2015
US Department of Agriculture								
Passed through Michigan								
Department of Education:								
Child Nutrition Cluster								
School Breakfast Program	10.553	\$ 161,908	\$ -	\$ -	-	\$ 161,908	\$ 161,908	\$ -
National School Lunch Program	10.555	324,721	-	-	-	324,721	324,721	-
Entitlement 14-15	10.555	6,964	-	-	-	6,964	6,964	-
Summer Food Service Program	10.559	7,536	-	-	-	7,536	7,536	-
Total Child Nutrition Cluster		501,129	-	-	-	501,129	501,129	-
Fresh Fruit and Vegetable Program								
150950 1415	10.582	15,926	-	-	-	15,926	15,926	-
		15,926	-	-	-	15,926	15,926	-
Total US Department of Agriculture, Passed through Michigan Department of Education								
		517,055	-	-	-	517,055	517,055	-
US Department of Education								
Passed through the Macomb County ISD								
I.D.E.A. Cluster	84.027							
13-14 Flowthrough		240,631	240,631	60,948	-	60,948	-	-
14-15 Flowthrough		217,674	-	-	-	151,506	217,674	66,168
Total US Department of Education Passed through Macomb County ISD		458,305	240,631	60,948	-	212,454	217,674	66,168

See accompanying notes to schedule of expenditures of federal awards

CONNER CREEK ACADEMY EAST

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - Continued FOR THE YEAR ENDED JUNE 30, 2015

Program Title/Project Number Subrecipient Name	CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue at July 1, 2014	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2015
US Department of Education								
Passed through Michigan Association of Public School Academies								
	84.387A							
TEAMS Grant 13-14		61,913	61,913	14,676	-	14,676	-	-
TEAMS Grant 14-15		17,154	-	-	-	17,154	17,154	-
Total US Department of Education Passed through Michigan Association of Public School Academies		79,067	61,913	14,676	-	31,830	17,154	-
US Department of Education								
Passed through Michigan Department of Education								
	84.010							
Title I								
141530 1314		622,120	622,121	124,631	-	124,631	-	-
151530 1415		601,967	-	-	-	517,043	577,351	60,308
Title II A	84.367							
140520 1314		17,941	15,246	8,541	-	8,541	-	-
150520 1415		19,771	-	-	-	11,900	12,938	1,038
Total US Department of Education Passed through from Michigan Department of Education		1,261,799	637,367	133,172	-	662,115	590,289	61,346
Total federal awards		\$ 2,316,226	\$ 939,911	\$ 208,796	\$ -	\$ 1,423,454	\$ 1,342,172	\$ 127,514

See accompanying notes to schedule of expenditures of federal awards

CONNER CREEK ACADEMY EAST

RECONCILIATION OF BASIC FINANCIAL STATEMENTS FEDERAL REVENUE AND RECEIVABLES WITH SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2015

Revenues to Expenditures

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

General Fund	\$ 825,117
Special Revenue Fund	<u>517,055</u>

Federal expenditures per the schedule of expenditures of federal awards	<u><u>\$ 1,342,172</u></u>
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Receivables

Receivables from federal sources - As reported on financial statement	\$ 144,986
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Timing difference between MDE payment and Academy receipt	<u>17,472</u>
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Federal receivables per the schedule of expenditures of federal awards	<u><u>\$ 127,514</u></u>
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CONNER CREEK ACADEMY EAST

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Conner Creek Academy East under programs of the federal government for the year ended June 30, 2014. Expenditures reported on the Schedule are reported on the same basis of accounting as the basic financial statements, although the basis for determining when federal awards are expended is presented in accordance with requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. In addition, expenditures reported on the Schedule are recognized following the cost principles contained in OMB Circular A-87, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Because the Schedule presents only a selected portion of the operations of Conner Creek Academy East, it is not intended to and does not present the financial position, changes in net assets, or cash flows, if applicable, of Conner Creek Academy East. Pass-through entity identifying numbers are presented where available.

NOTE 2 - NONCASH ASSISTANCE

The value of the noncash assistance received was determined in accordance with the provisions of OMB Circular A-133.

NOTE 3 - GRANT AUDITOR'S REPORT

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

CONNER CREEK ACADEMY EAST

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

SECTION I - SUMMARY OF THE AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ___yes _x__no

- Significant deficiency(ies) identified that are not considered to be a material weakness(es)? ___yes _x__no

- Noncompliance material to financial statements noted? ___yes _x__no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ___yes _x__no

- Significant deficiency(ies) identified that are not considered to be a material weakness(es)? ___yes _x__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 Circular A-133? ___yes _x__no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
#10.553, 10.555, & 10.559	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? _x__yes ___no

SECTION II – FINANCIAL STATEMENT FINDINGS

None

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None