

**Audited Financial Statements**

# **Conner Creek Academy East**

Roseville, Michigan

**June 30, 2017**

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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, 2017, and the related notes to the financial statements, which collectively comprise the Conner Creek Academy East's basic financial statements as listed in the table of contents.

#### Management's Responsibility for the Financial Statements

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

#### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, 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 reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Conner Creek Academy East as of June 30, 2017, and the respective changes in financial position, thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Conner Creek Academy East's basic financial statements. The introductory section, combining and individual non-major fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (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 combining and individual non-major fund financial statements, schedules of revenues and expenditures, and the schedules of expenditures of federal awards are the responsibility of management and were derived from and related 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, schedules of revenues and expenditures, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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 31, 2017, on our consideration of the 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 or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Conner Creek Academy East's internal control over financial reporting and compliance.



Croskey Lanni, PC

October 31, 2017  
Rochester, Michigan

## **MANAGEMENT’S DISCUSSION AND ANALYSIS**

This section of Conner Creek Academy East, “CCAЕ”, annual financial report presents our discussion and analysis of the school’s financial performance during the fiscal year that ended on June 30, 2017. Please read it in conjunction with the school’s financial statements, which immediately follow this section.

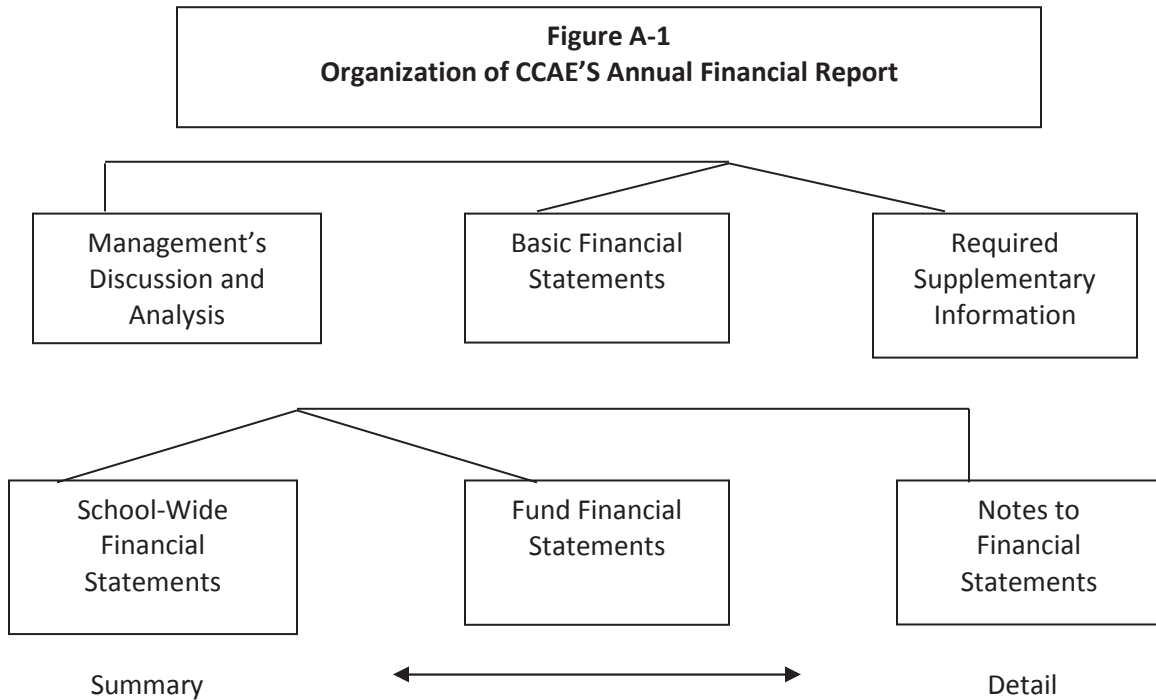
### **FINANCIAL HIGHLIGHTS**

- ❖ The school’s financial status remains stable. The school’s enrollment declined slightly from prior year levels.
  - The total cost of basic programs was \$2,001,918.
  - General Fund, Special Revenue Fund, and Debt Service Fund Revenues were at \$9,379,267 while expenditures for the General Fund, Special Revenue Fund, and Debt Service Fund were at \$9,278,731. There was a transfer from the General Fund to the Debt Service Fund to cover the 2007 Series Bond payments in the amount of \$1,133,432.
  - Blended enrollment used for state aid purposes was 941.54 compared to 963.92 last year.
- ❖ The school reduced its outstanding long-term debt, which consists primarily of a revenue bond, by \$411,138.
- ❖ The school increased its fund balance in the General Fund from \$702,763 to \$790,884 and increased its Debt Service fund balance from \$1,838,161 to \$1,848,036. The school’s fund balance is 10% 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**

| <b>Fund Financial Statements</b>       |  |   |   |
|--|--|---|---|
|  | <b>School-Wide Statements</b>  | <b>Government Funds</b>   | <b>Fiduciary Funds</b>  |
| 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<br>*Statement of activities                                 | *Balance sheet<br>*Statement of revenues, expenditures and changes in fund balances   | *Statement of fiduciary net position<br>*Statement of changes in fiduciary net position   |
| 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 this year. The school continues to work to retain and attract students in the Metro Detroit area and expects 2017-18 enrollment to increase.
- ❖ 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 back to its pre recession amount beginning with the 2017-2018 school year. The charter school climate in Macomb/Wayne counties continues to be very competitive, however, the School's leadership continues to improve its programs in order to be able to attract students to attend the school in spite of the competition.

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

|  | <b>2017</b>  | <b>2016</b>  |
|--|--------------|--------------|
| Current assets and deferred outflows     | \$ 4,417,321 | \$ 4,489,704 |
| Capital assets, net                      | 11,742,491   | 12,034,890   |
| Total assets and deferred outflows       | 16,159,812   | 16,524,594   |
| Current liabilities and deferred inflows | 2,250,192    | 2,420,916    |
| Long term liabilities                    | 13,395,000   | 13,810,000   |
| Net Position:                            |              |              |
| Net investment in capital assets         | (2,067,509)  | (2,186,248)  |
| Restricted                               | 1,850,576    | 1,838,161    |
| Unrestricted                             | 731,553      | 641,765      |
| Total net position                       | \$ 514,620   | \$ 293,678   |

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

|                                      | <b>2017</b>  | <b>2016</b>  |
|--------------------------------------|--------------|--------------|
| Revenues:                            |              |              |
| Program revenues:                    |              |              |
| Federal and state categorical grants | \$ 2,146,033 | \$ 2,153,959 |
| Charges for service                  | 96,523       | 101,651      |
| Total program revenues               | 2,242,556    | 2,255,610    |
| General revenues:                    |              |              |
| State aid - unrestricted             | 7,103,181    | 7,131,814    |
| Other                                | 33,530       | 43,361       |
| Total general revenues               | 7,136,711    | 7,175,175    |
| Total revenues                       | 9,379,267    | 9,430,785    |
| Expenses:                            |              |              |
| Instruction                          | 3,193,306    | 3,220,534    |
| Support services                     | 4,951,834    | 4,841,694    |
| Unallocated depreciation             | 292,399      | 309,402      |
| Unallocated interest                 | 720,786      | 741,102      |
| Total expenses                       | 9,158,325    | 9,112,732    |
| Change in net position               | \$ 220,942   | \$ 318,053   |

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

By the end of 2017 the school had invested \$15,443,982 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**

|                                    | <b>Balance</b><br><b>June 30, 2017</b> | <b>Balance</b><br><b>June 30, 2016</b> |
|------------------------------------|--|--|
| Land                               | \$ 4,025,718                           | \$ 4,025,718                           |
| Building and improvements          | 10,834,436                             | 10,882,925                             |
| Computers, furniture and equipment | 583,828                                | 1,574,472                              |
| Total cost                         | 15,443,982                             | 16,483,115                             |
| Less accumulated depreciation      | 3,701,491                              | 4,448,225                              |
| Net book value                     | <u>\$ 11,742,491</u>                   | <u>\$ 12,034,890</u>                   |

### Long-Term Debt

At year end the school had debt of \$13,810,000 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 \$400,000 on its revenue bonds.

## FACTORS BEARING ON THE SCHOOL'S FUTURE

During this past year, the school was able to increase our fund balance, to \$790,884 in the general fund. This is a positive sign and the school continues to be able to do more for the staff including bringing back a portion of the retirement contribution and small incremental raises. Academically, the school still has a ways to go to have all students proficient or making their growth targets for both the State and Ferris State University. A few other highlights are:

- ❖ More students are setting and achieving their personal growth goals which are tied to the school's student achievement.
- ❖ Continued using Wayne State University's C2 Pipeline with our high school students which is tied to STEM curriculum.
- ❖ Added Ferris State University summer program at Michigan Collegiate which enables juniors to earn college credit.
- ❖ Added Ferris State University Woodbridge Promise program class Career and College readiness for all seniors at Michigan Collegiate to the Master schedule so that they graduate with at least 3 college credits.
- ❖ Continued with the academic intervention program at Michigan Collegiate for both middle and high school students.

- ❖ Continued to refine our Data Team processes to be even more current with meeting the needs of individual students.

### **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, 2017

### ASSETS AND DEFERRED OUTFLOWS

#### Current Assets

|  |            |
|--|------------|
| Cash and cash equivalents                                      | \$ 628,975 |
| Investments - restricted for debt service and capital projects | 1,848,036  |
| Accounts Receivable  | 5,525      |
| Due from other governmental units                              | 1,842,465  |
| Prepaid expenses   | 92,320     |
|  | <hr/>      |
| Total current assets   | 4,417,321  |

#### Capital Assets - Net of Accumulated Depreciation

11,742,491

Total assets and deferred outflows

\$ 16,159,812

### LIABILITIES, DEFERRED INFLOWS AND NET POSITION

#### Current Liabilities

|                                  |           |
|----------------------------------|-----------|
| Accounts payable                 | \$ 6,321  |
| Notes payable                    | 1,340,000 |
| Other accrued expenses           | 488,871   |
| Long-term debt - current portion | 415,000   |
|                                  | <hr/>     |
| Total current liabilities        | 2,250,192 |

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

13,395,000

#### Net Position

|  |                      |
|--|----------------------|
| Net investment in capital assets                     | (2,067,509)          |
| Restricted for debt services and capital projects    | 1,850,576            |
| Unrestricted   | 731,553              |
|  | <hr/>                |
| Total net position                                   | 514,620              |
|  | <hr/>                |
| Total liabilities, deferred inflows and net position | <u>\$ 16,159,812</u> |

See accompanying notes to financial statements

## CONNER CREEK ACADEMY EAST

### STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2017

|                                      |                     | Program Revenues        |                     | Net (Expense)<br>Revenues and<br>Changes in<br>Net Position |
|--------------------------------------|---------------------|-------------------------|---------------------|---|
|                                      | Expenses            | Charges for<br>Services | Operating<br>Grants | Government<br>Type<br>Activities                            |
| <b>Functions</b>                     |                     |                         |                     |   |
| Instruction                          |                     |                         |                     |   |
| Basic programs                       | \$ 2,001,918        | \$ -                    | \$ 105,476          | \$ (1,896,442)  |
| Added needs                          | 1,191,388           | -                       | 1,123,591           | (67,797)  |
| Support services                     |                     |                         |                     |   |
| Pupil support services               | 322,091             | -                       | 98,486              | (223,605)   |
| Instructional staff support services | 157,319             | -                       | 79,691              | (77,628)  |
| General administration               | 468,319             | -                       | -                   | (468,319)   |
| School administration                | 1,045,220           | -                       | -                   | (1,045,220)   |
| Business support services            | 170,404             | -                       | 8,112               | (162,292)   |
| Operations and maintenance           | 948,424             | -                       | 50,955              | (897,469)   |
| Pupil transportation services        | 770,341             | -                       | 20,000              | (750,341)   |
| Central support services             | 57,718              | -                       | 12,379              | (45,339)  |
| Athletic activities                  | 233,313             | 18,257                  | -                   | (215,056)   |
| Food services                        | 748,591             | 59,531                  | 635,697             | (53,363)  |
| Community services                   | 30,094              | 18,735                  | 11,646              | 287   |
| Unallocated depreciation             | 292,399             | -                       | -                   | (292,399)   |
| Unallocated interest                 | 720,786             | -                       | -                   | (720,786)   |
|                                      | <u>\$ 9,158,325</u> | <u>\$ 96,523</u>        | <u>\$ 2,146,033</u> | <u>(6,915,769)</u>  |
| <b>General Purpose Revenues</b>      |                     |                         |                     |   |
| State school aid - unrestricted      |                     |                         |                     | 7,103,181   |
| Miscellaneous revenues               |                     |                         |                     | 33,530  |
|                                      |                     |                         |                     | <u>7,136,711</u>  |
| Change in net position               |                     |                         |                     | 220,942   |
| Net position - July 1, 2016          |                     |                         |                     | <u>293,678</u>  |
| Net position - June 30, 2017         |                     |                         |                     | <u>\$ 514,620</u>   |

See accompanying notes to financial statements

## CONNER CREEK ACADEMY EAST

### COMBINED BALANCE SHEET – ALL GOVERNMENTAL FUNDS JUNE 30, 2017

#### ASSETS

|                                      | General          | Debt<br>Service  | Non-Major<br>Special Revenue | Total            |
|--------------------------------------|------------------|------------------|------------------------------|------------------|
| Cash and cash equivalents            | \$ 628,498       | \$ -             | \$ 477                       | \$ 628,975       |
| Investments                          | -                | 1,848,036        | -                            | 1,848,036        |
| Accounts Receivable                  | 2,923            | -                | 2,602                        | 5,525            |
| Due from other funds                 | 3,194            | -                | -                            | 3,194            |
| Due from other<br>governmental units | 1,839,810        | -                | 2,655                        | 1,842,465        |
| Prepaid expenses                     | 92,320           | -                | -                            | 92,320           |
| <br>Total assets                     | <br>\$ 2,566,745 | <br>\$ 1,848,036 | <br>\$ 5,734                 | <br>\$ 4,420,515 |

#### LIABILITIES AND FUND BALANCE

##### Liabilities

|                        |               |       |           |               |
|------------------------|---------------|-------|-----------|---------------|
| Accounts payable       | \$ 6,321      | \$ -  | \$ -      | \$ 6,321      |
| Notes payable          | 1,340,000     | -     | -         | 1,340,000     |
| Due to other funds     | -             | -     | 3,194     | 3,194         |
| Other accrued expenses | 429,540       | -     | -         | 429,540       |
| <br>Total liabilities  | <br>1,775,861 | <br>- | <br>3,194 | <br>1,779,055 |

##### Fund Balance

|   |                  |                  |              |                  |
|---|------------------|------------------|--------------|------------------|
| Nonspendable                              | 92,320           | -                | -            | 92,320           |
| Restricted                                | -                | 1,848,036        | 2,540        | 1,850,576        |
| Unassigned                                | 698,564          | -                | -            | 698,564          |
| <br>Total fund balance                    | <br>790,884      | <br>1,848,036    | <br>2,540    | <br>2,641,460    |
| <br>Total liabilities and<br>fund balance | <br>\$ 2,566,745 | <br>\$ 1,848,036 | <br>\$ 5,734 | <br>\$ 4,420,515 |

See accompanying notes to financial statements



## CONNER CREEK ACADEMY EAST

### RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET POSITION OF GOVERNMENTAL ACTIVITIES JUNE 30, 2017

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

|   |                          |
|---|--------------------------|
| <b>Total Governmental Fund Balances</b>   | \$ 2,641,460             |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$15,443,982 and the accumulated depreciation is \$3,701,491. | 11,742,491               |
| Interest is not payable until due in governmental activities and, therefore, is not recorded in the funds.  | (59,331)                 |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.  | <u>(13,810,000)</u>      |
| <b>Net Position of Governmental Activities</b>  | <u><u>\$ 514,620</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, 2017

|   | <u>General</u>     | <u>Debt<br/>Service</u> | <u>Non-Major<br/>Special Revenue</u> | <u>Total</u>        |
|---|--------------------|-------------------------|--------------------------------------|---------------------|
| <b>Revenues</b>   |                    |                         |                                      |                     |
| Local sources   | \$ 65,657          | \$ 1,169                | \$ 59,057                            | \$ 125,883          |
| State sources   | 7,787,242          | -                       | 14,857                               | 7,802,099           |
| Federal sources   | 807,741            | -                       | 621,314                              | 1,429,055           |
| Interdistrict sources   | 22,230             | -                       | -                                    | 22,230              |
| Total governmental fund revenues  | <u>8,682,870</u>   | <u>1,169</u>            | <u>695,228</u>                       | <u>9,379,267</u>    |
| <b>Expenditures</b>   |                    |                         |                                      |                     |
| Instruction   |                    |                         |                                      |                     |
| Basic programs  | 2,001,918          | -                       | -                                    | 2,001,918           |
| Added needs   | 1,191,388          | -                       | -                                    | 1,191,388           |
| Support services  |                    |                         |                                      |                     |
| Pupil support services  | 322,091            | -                       | -                                    | 322,091             |
| Instructional staff support services  | 157,319            | -                       | -                                    | 157,319             |
| General administration  | 468,319            | -                       | -                                    | 468,319             |
| School administration   | 1,045,220          | -                       | -                                    | 1,045,220           |
| Business support services   | 167,653            | 2,751                   | -                                    | 170,404             |
| Operations and maintenance  | 948,424            | -                       | -                                    | 948,424             |
| Pupil transportation services   | 770,341            | -                       | -                                    | 770,341             |
| Central support services  | 57,718             | -                       | -                                    | 57,718              |
| Athletic activities   | 233,313            | -                       | -                                    | 233,313             |
| Food services   | -                  | -                       | 748,591                              | 748,591             |
| Community services  | 30,094             | -                       | -                                    | 30,094              |
| Debt principal and interest   | 11,616             | 1,121,975               | -                                    | 1,133,591           |
| Total governmental fund expenditures  | <u>7,405,414</u>   | <u>1,124,726</u>        | <u>748,591</u>                       | <u>9,278,731</u>    |
| Excess (deficiency) of revenues over expenditures   | 1,277,456          | (1,123,557)             | (53,363)                             | 100,536             |
| <b>Other Financing Sources (Uses)</b>   |                    |                         |                                      |                     |
| Operating transfers in  | -                  | 1,133,432               | 55,903                               | 1,189,335           |
| Operating transfers out   | (1,189,335)        | -                       | -                                    | (1,189,335)         |
| Total other financing sources (uses)  | <u>(1,189,335)</u> | <u>1,133,432</u>        | <u>55,903</u>                        | <u>-</u>            |
| Excess (deficiency) of revenues and other financing<br>sources over expenditures and other uses | 88,121             | 9,875                   | 2,540                                | 100,536             |
| Fund balance - July 1, 2016   | <u>702,763</u>     | <u>1,838,161</u>        | <u>-</u>                             | <u>2,540,924</u>    |
| Fund balance - June 30, 2017  | <u>\$ 790,884</u>  | <u>\$ 1,848,036</u>     | <u>\$ 2,540</u>                      | <u>\$ 2,641,460</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, 2017

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

|   |    |         |
|---|----|---------|
| <b>Net Change in Fund Balances - Total Governmental Funds</b> | \$ | 100,536 |
|---|----|---------|

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

|                                       |  |           |
|---------------------------------------|--|-----------|
| Depreciation and amortization expense |  | (292,399) |
|---------------------------------------|--|-----------|

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

|                             |    |         |         |
|-----------------------------|----|---------|---------|
| Repayment of loan principal | \$ | 411,138 |         |
| Interest expense            |    | 1,667   |         |
|                             |    | 412,805 | 412,805 |

|  |    |                |
|--|----|----------------|
| <b>Change in Net Position of Governmental Activities</b> | \$ | <b>220,942</b> |
|--|----|----------------|

**CONNER CREEK ACADEMY EAST**

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUND  
JUNE 30, 2017

**ASSETS**

|                           |                         |
|---------------------------|-------------------------|
| Cash and cash equivalents | <u>\$ 24,082</u>        |
| Total assets              | <u><u>\$ 24,082</u></u> |

**LIABILITIES**

|                       |                         |
|-----------------------|-------------------------|
| Due to student groups | <u>\$ 24,082</u>        |
| Total liabilities     | <u><u>\$ 24,082</u></u> |

See accompanying notes to financial statements

## CONNER CREEK ACADEMY EAST

### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

#### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

##### **Reporting Entity**

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

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, 2017 were approximately \$212,080.

In July 2015, the Academy entered into an agreement with MEP Services – “MEP” through June 30, 2018. Under the terms of this agreement, MEP provides a variety of services including payroll, other human resource services, and various business services. The Academy is obligated to pay MEP 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 \$196,830 for the year ended June 30, 2017.

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, 2017

### 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, 2017

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

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

#### Government-Wide Financial Statements

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

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

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

## CONNER CREEK ACADEMY EAST

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2017

### 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, 2017 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 2017 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, 2017, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

#### Capital Assets and Depreciation

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



## CONNER CREEK ACADEMY EAST

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2017

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

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

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

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

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

#### **Net Position**

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

#### **Fund Equity**

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

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

## CONNER CREEK ACADEMY EAST

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2017

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

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

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

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

#### Estimates

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

### NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. State law requires the Academy to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. The Academy is required by law to adopt a general fund budget. During the year ended June 30, 2017 the budget was amended in a legally permissible manner. The Academy had actual revenues in excess of budgeted revenues which affected the change in fund balance as detailed on page 21 of these financial statements.

## CONNER CREEK ACADEMY EAST

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2017

### NOTE 3 - DEPOSITS AND INVESTMENTS

As of June 30, 2017, the Academy had the following investments:

| <u>Type</u>                          | <u>S&amp;P Rating</u> | <u>Maturities</u> | <u>Carrying Value</u>      |
|--------------------------------------|-----------------------|-------------------|----------------------------|
| Deposits:                            |                       |                   |                            |
| Demand deposits                      |                       |                   | \$ 653,057                 |
| Investments:                         |                       |                   |                            |
| U.S. Treasury and agency obligations | AAAm                  | Various           | <u>1,848,036</u>           |
| Total deposits and investments       |                       |                   | <u><u>\$ 2,501,093</u></u> |

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

|                                |  |  |                            |
|--------------------------------|--|--|----------------------------|
| Deposits:                      |  |  |                            |
| Cash - General fund            |  |  | \$ 628,498                 |
| Cash - Special revenue fund    |  |  | 477                        |
| Cash - Fiduciary fund          |  |  | <u>24,082</u>              |
| Total deposits                 |  |  | 653,057                    |
| Investments:                   |  |  |                            |
| Investments - Debt service     |  |  | <u>1,848,036</u>           |
| Total deposits and investments |  |  | <u><u>\$ 2,501,093</u></u> |

#### Interest Rate Risk

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

#### Credit Risk

State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2017, the Academy's investments were rated AAAM by Standards & Poor's and Aaa by Moody's Investors Service.

## CONNER CREEK ACADEMY EAST

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2017

### NOTE 3 - DEPOSITS AND INVESTMENTS - Continued

#### Concentration of Credit Risk

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

#### Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. As of June 30, 2017, \$446,953 of the Academy's cash was exposed to custodial credit risk. All cash balances were uncollateralized as of June 30, 2017.

#### Custodial Credit Risk - Investments

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

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

#### Foreign Currency Risk

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

#### Fair Value

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

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

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

## CONNER CREEK ACADEMY EAST

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2017

### NOTE 3 - DEPOSITS AND INVESTMENTS - Continued

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

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

### NOTE 4 – DUE FROM OTHER GOVERNMENTAL UNITS

Amounts due from other governmental units consist of the following:

|                 |                     |
|-----------------|---------------------|
| State sources   | \$ 1,420,621        |
| Federal sources | <u>421,844</u>      |
| Total           | <u>\$ 1,842,465</u> |

### NOTE 5 - CAPITAL ASSETS

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

|  | <u>Balance<br/>July 1, 2016</u> | <u>Additions</u>    | <u>Disposals</u> | <u>Balance<br/>June 30, 2017</u> |
|--|---------------------------------|---------------------|------------------|----------------------------------|
| Capital assets not subject to depreciation |                                 |                     |                  |                                  |
| Land                                       | \$ 4,025,718                    | \$ -                | \$ -             | \$ 4,025,718                     |
| Capital assets subject to depreciation     |                                 |                     |                  |                                  |
| Building and improvements                  | 10,882,925                      | -                   | 48,489           | 10,834,436                       |
| Furniture and equipment                    | 1,315,801                       | -                   | 812,009          | 503,792                          |
| Computer                                   | <u>258,671</u>                  | <u>-</u>            | <u>178,635</u>   | <u>80,036</u>                    |
| Sub-total                                  | 16,483,115                      | -                   | 1,039,133        | 15,443,982                       |
| Accumulated depreciation                   |                                 |                     |                  |                                  |
| Building and improvements                  | 2,919,508                       | 276,245             | 48,489           | 3,147,264                        |
| Furniture and equipment                    | 1,274,070                       | 12,197              | 812,009          | 474,258                          |
| Computer                                   | <u>254,647</u>                  | <u>3,957</u>        | <u>178,635</u>   | <u>79,969</u>                    |
| Sub-total                                  | <u>4,448,225</u>                | <u>292,399</u>      | <u>1,039,133</u> | <u>3,701,491</u>                 |
| Total net capital assets                   | <u>\$ 12,034,890</u>            | <u>\$ (292,399)</u> | <u>\$ -</u>      | <u>\$ 11,742,491</u>             |

## CONNER CREEK ACADEMY EAST

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2017

### NOTE 5 - CAPITAL ASSETS - Continued

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

### NOTE 6 – NOTES PAYABLE

Notes payable as of June 30, 2017 can be summarized as follows:

#### Loan Information

|            | <u>Interest<br/>Rate</u> | <u>Maturity<br/>Date</u> | <u>Other</u>  |
|------------|--------------------------|--------------------------|---|
| SAAN 15/16 | 5.00%                    | August, 2016             | Paid in full  |
| SAAN 16/17 | 4.31%                    | August, 2017             | Issued to provide funds to Academy to finance school operations; secured by future state aid payments |

#### Loan Activity

|                     | <u>Balance<br/>July 1, 2016</u> | <u>Additions</u>    | <u>Retirements<br/>and Payments</u> | <u>Balance<br/>June 30, 2017</u> |
|---------------------|---------------------------------|---------------------|-------------------------------------|----------------------------------|
| SAAN 15/16          | \$ 1,400,000                    | \$ -                | \$ 1,400,000                        | \$ -                             |
| SAAN 16/17          | -                               | 3,500,000           | 2,160,000                           | 1,340,000                        |
| Total notes payable | <u>\$ 1,400,000</u>             | <u>\$ 3,500,000</u> | <u>\$ 3,560,000</u>                 | <u>\$ 1,340,000</u>              |

### NOTE 7 – OTHER ACCRUED EXPENSES

Other accrued expenses as of June 30, 2017 may be summarized as follows:

|   | <u>Net Position</u> | <u>Funds</u>      |
|---|---------------------|-------------------|
| Purchased services - payroll and benefits | \$ 379,461          | \$ 379,461        |
| University oversight fee                  | 39,289              | 39,289            |
| Other accrued expenses                    | 2,584               | 2,584             |
| Interest                                  | 67,537              | 8,206             |
| Total other accrued expenses              | <u>\$ 488,871</u>   | <u>\$ 429,540</u> |

## CONNER CREEK ACADEMY EAST

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2017

### NOTE 8 - LONG-TERM OBLIGATIONS PAYABLE

The following is a summary of long-term obligations for the Academy during the year ended June 30, 2017:

#### Loan Information

|                 | <u>Interest<br/>Rate</u> | <u>Maturity<br/>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<br/>July 1, 2016</u> | <u>Additions</u> | <u>Retirements<br/>and Payments</u> | <u>Balance<br/>June 30, 2017</u> | <u>Due Within<br/>One Year</u> |
|-----------------|---------------------------------|------------------|-------------------------------------|----------------------------------|--------------------------------|
| Capital lease 1 | \$ 11,138                       | \$ -             | \$ 11,138                           | \$ -                             | \$ -                           |
| Revenue bond 1  | 14,210,000                      | -                | 400,000                             | 13,810,000                       | 415,000                        |
| Total           | <u>\$ 14,221,138</u>            | <u>\$ -</u>      | <u>\$ 411,138</u>                   | <u>\$ 13,810,000</u>             | <u>\$ 415,000</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> |
|-----------|------------------|-----------------|
| 2018      | \$ 415,000       | \$ 711,975      |
| 2019      | 440,000          | 691,225         |
| 2020      | 455,000          | 669,225         |
| 2021      | 480,000          | 646,475         |
| 2022      | 500,000          | 622,475         |
| 2023-2027 | 2,930,000        | 2,709,125       |
| 2028-2032 | 3,750,000        | 1,880,550       |
| 2033-2037 | 4,840,000        | 788,288         |

**CONNER CREEK ACADEMY EAST**

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2017

**NOTE 9 – OPERATING LEASES**

**Lease Information**

|            | <u>Maturity Date</u> | <u>Approximate Payment</u> | <u>Other</u>  |
|------------|----------------------|----------------------------|---|
| Facilities | June, 2018           | \$12,419 monthly           | In addition to the monthly lease amount, the Academy shall also pay property taxes passed through from the landlord. The lease automatically renews for five years if not terminated. |

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

|      | <u>Facilities</u> |
|------|-------------------|
| 2018 | \$ 149,028        |

Total lease expense included in the statement of activities for the year ended June 30, 2017 amounted to approximately \$180,340.

**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  | \$ -           | \$ 55,903              | \$ 1,133,432        |
| Transfer Out | 1,189,335      | -                      | -                   |

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



## **CONNER CREEK ACADEMY EAST**

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2017

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

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

# SUPPLEMENTARY INFORMATION

## CONNER CREEK ACADEMY EAST

### REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2017

|  | <u>Original<br/>Budget</u> | <u>Final<br/>Budget</u> | <u>Actual</u>      | <u>Variance</u>    |
|--|----------------------------|-------------------------|--------------------|--------------------|
| <b>Revenues</b>  |                            |                         |                    |                    |
| Local sources  | \$ 33,000                  | \$ 72,100               | \$ 65,657          | \$ (6,443)         |
| State sources  | 7,928,018                  | 7,797,156               | 7,787,242          | (9,914)            |
| Federal sources  | 794,478                    | 870,002                 | 807,741            | (62,261)           |
| Interdistrict sources  | <u>35,000</u>              | <u>22,007</u>           | <u>22,230</u>      | <u>223</u>         |
| Total general fund revenues  | 8,790,496                  | 8,761,265               | 8,682,870          | (78,395)           |
| <b>Expenditures</b>  |                            |                         |                    |                    |
| Instruction  |                            |                         |                    |                    |
| Basic programs   | 2,162,392                  | 2,036,113               | 2,001,918          | (34,195)           |
| Added needs  | 1,167,163                  | 1,219,229               | 1,191,388          | (27,841)           |
| Support services   |                            |                         |                    |                    |
| Pupil support services   | 313,045                    | 324,068                 | 322,091            | (1,977)            |
| Instructional staff support services   | 163,564                    | 162,199                 | 157,319            | (4,880)            |
| General administration   | 470,037                    | 425,913                 | 468,319            | 42,406             |
| School administration  | 1,051,778                  | 1,049,384               | 1,045,220          | (4,164)            |
| Business support services  | 174,798                    | 166,257                 | 167,653            | 1,396              |
| Operations and maintenance   | 951,889                    | 976,990                 | 948,424            | (28,566)           |
| Pupil transportation services  | 753,540                    | 755,150                 | 770,341            | 15,191             |
| Central support services   | 109,500                    | 40,875                  | 57,718             | 16,843             |
| Athletic activities  | 205,000                    | 227,300                 | 233,313            | 6,013              |
| Community services   | 35,448                     | 34,490                  | 30,094             | (4,396)            |
| Debt principal and interest  | <u>-</u>                   | <u>-</u>                | <u>11,616</u>      | <u>11,616</u>      |
| Total general fund expenditures  | <u>7,559,154</u>           | <u>7,417,968</u>        | <u>7,405,414</u>   | <u>(12,554)</u>    |
| Excess (deficiency) of revenues<br>over expenditures   | 1,231,342                  | 1,343,297               | 1,277,456          | (65,841)           |
| <b>Other Financing Sources (Uses)</b>  |                            |                         |                    |                    |
| Operating transfers out  | <u>(1,167,000)</u>         | <u>(1,194,292)</u>      | <u>(1,189,335)</u> | <u>4,957</u>       |
| Excess (deficiency) of revenues<br>and other financing sources<br>over expenditures and other uses | 64,342                     | 149,005                 | 88,121             | (60,884)           |
| Fund balance - July 1, 2016  | <u>702,763</u>             | <u>702,763</u>          | <u>702,763</u>     | <u>-</u>           |
| Fund balance - June 30, 2017   | <u>\$ 767,105</u>          | <u>\$ 851,768</u>       | <u>\$ 790,884</u>  | <u>\$ (60,884)</u> |

## CONNER CREEK ACADEMY EAST

### SCHEDULE OF REVENUES – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2017

#### Local Sources

|                      |    |        |
|----------------------|----|--------|
| Other local revenues | \$ | 65,657 |
|----------------------|----|--------|

#### State Sources

|         |  |         |
|---------|--|---------|
| At risk |  | 562,694 |
|---------|--|---------|

|                   |  |         |
|-------------------|--|---------|
| Special education |  | 121,367 |
|-------------------|--|---------|

|           |  |                  |
|-----------|--|------------------|
| State aid |  | <u>7,103,181</u> |
|-----------|--|------------------|

|                     |  |           |
|---------------------|--|-----------|
| Total state sources |  | 7,787,242 |
|---------------------|--|-----------|

#### Federal Sources

|      |  |         |
|------|--|---------|
| IDEA |  | 211,954 |
|------|--|---------|

|         |  |         |
|---------|--|---------|
| Title I |  | 568,939 |
|---------|--|---------|

|            |  |               |
|------------|--|---------------|
| Title II A |  | <u>26,848</u> |
|------------|--|---------------|

|                       |  |         |
|-----------------------|--|---------|
| Total federal sources |  | 807,741 |
|-----------------------|--|---------|

#### Interdistrict Sources

|  |  |               |
|--|--|---------------|
|  |  | <u>22,230</u> |
|--|--|---------------|

|                             |    |                         |
|-----------------------------|----|-------------------------|
| Total general fund revenues | \$ | <u><u>8,682,870</u></u> |
|-----------------------------|----|-------------------------|

## CONNER CREEK ACADEMY EAST

### SCHEDULE OF EXPENDITURES – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2017

#### Basic Programs

|                                |              |
|--------------------------------|--------------|
| Purchased services             | \$ 1,893,800 |
| Rentals                        | 31,199       |
| Supplies and materials         | 48,498       |
| Non-depreciable capital assets | 9,943        |
| Other expenditures             | 18,478       |
|                                | <hr/>        |
| Total basic programs           | 2,001,918    |

#### Added Needs

|                        |           |
|------------------------|-----------|
| Purchased services     | 1,139,826 |
| Rentals                | 739       |
| Supplies and materials | 50,823    |
|                        | <hr/>     |
| Total added needs      | 1,191,388 |

#### Pupil Support Services

|                                |         |
|--------------------------------|---------|
| Guidance services              | 119,297 |
| Health services                | 8,250   |
| Psychological services         | 50,000  |
| Speech pathology and audiology | 72,572  |
| Social work services           | 40,852  |
| Other pupil services           | 31,120  |
|                                | <hr/>   |
| Total pupil support services   | 322,091 |

#### Instructional Staff Support Services

|                    |         |
|--------------------|---------|
| Purchased services | 157,319 |
|--------------------|---------|

#### General Administration

|                              |         |
|------------------------------|---------|
| Purchased services           | 466,485 |
| Other expenditures           | 1,834   |
|                              | <hr/>   |
| Total general administration | 468,319 |

## CONNER CREEK ACADEMY EAST

### SCHEDULE OF EXPENDITURES – GENERAL FUND - CONTINUED FOR THE YEAR ENDED JUNE 30, 2017

#### **School Administration**

|                             |           |
|-----------------------------|-----------|
| Purchased services          | 963,056   |
| Rentals                     | 2,214     |
| Supplies and materials      | 73,664    |
| Other expenditures          | 6,286     |
|                             | <hr/>     |
| Total school administration | 1,045,220 |

#### **Business Support Services**

|                                 |         |
|---------------------------------|---------|
| Purchased services              | 60,001  |
| Rentals                         | 112     |
| Other expenditures              | 107,540 |
|                                 | <hr/>   |
| Total business support services | 167,653 |

#### **Operations and Maintenance**

|                                  |         |
|----------------------------------|---------|
| Purchased services               | 447,026 |
| Repairs and maintenance          | 168,129 |
| Rentals                          | 180,582 |
| Supplies and materials           | 123,022 |
| Non-depreciable capital assets   | 29,665  |
|                                  | <hr/>   |
| Total operations and maintenance | 948,424 |

#### **Pupil Transportation Services**

|         |         |
|---------|---------|
| Rentals | 770,341 |
|---------|---------|

#### **Central Support Services**

|                    |        |
|--------------------|--------|
| Purchased services | 57,718 |
|--------------------|--------|

**CONNER CREEK ACADEMY EAST**

SCHEDULE OF EXPENDITURES – GENERAL FUND - CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2017

**Athletic Activities**

|                           |              |
|---------------------------|--------------|
| Purchased services        | 137,912      |
| Rentals                   | 7,771        |
| Other purchased services  | 2,246        |
| Supplies and materials    | 82,844       |
| Other expenditures        | <u>2,540</u> |
| Total athletic activities | 233,313      |

**Community Services**

|                          |               |
|--------------------------|---------------|
| Purchased services       | 18,872        |
| Supplies and materials   | <u>11,222</u> |
| Total community services | 30,094        |

**Debt Principal and Interest**

|                                 |                            |
|---------------------------------|----------------------------|
|                                 | <u>11,616</u>              |
| Total general fund expenditures | <u><u>\$ 7,405,414</u></u> |

# APPENDIX

## Federal Awards Report



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Conner Creek Academy East, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Conner Creek Academy East's basic financial statements, and have issued our report thereon dated October 31, 2017.

#### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the 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 the 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 the 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2017-001.

### **Conner Creek Academy East's Response to Findings**

Conner Creek Academy East's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Conner Creek Academy East's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **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 31, 2017  
Rochester, Michigan



David M. Croskey, CPA  
Thomas B. Lanni, CPA  
Carolyn A. Jones, CPA, CFP® MST  
Clifton F. Powell Jr., CPA, CFP®, PFS  
Roger J. DeJong, CPA  
Patrick M. Sweeney, CPA  
Leonard A. Geronemus, CPA, PFS

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

To the Board of Directors  
of Conner Creek Academy East

### **Report on Compliance for Each Major Federal Program**

We have audited the Conner Creek Academy East's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Conner Creek Academy East's major federal programs for the year ended June 30, 2017. Conner Creek Academy East's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

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

### **Auditor's Responsibility**

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

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

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

In our opinion, Conner Creek Academy East complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June, 30, 2017.

### **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 the Conner Creek Academy East's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Croskey Lanni, PC

October 31, 2017  
Rochester, Michigan

## CONNER CREEK ACADEMY EAST

### SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2017

| Program Title/Project<br>Number Subrecipient Name                 | Grant/<br>Project<br>Number | CFDA<br>Number | Approved<br>Awards<br>Amount | (Memo Only)<br>Prior Year<br>Expenditures | Accrued<br>(Deferred)<br>Revenue at<br>July 1, 2016 | Adjustments<br>and<br>Transfers | Federal Funds/<br>Payments<br>In-kind<br>Received | Expenditures | Accrued<br>(Deferred)<br>Revenue at<br>June 30, 2017 | Current Year<br>Cash<br>Transferred To<br>Subrecipient |
|---|-----------------------------|----------------|------------------------------|---|---|---------------------------------|---|--------------|--|--|
| <b>Clusters:</b>  |                             |                |                              |   |   |                                 |   |              |  |  |
| <b>Child Nutrition Cluster - U.S. Department of Agriculture -</b> |                             |                |                              |   |   |                                 |   |              |  |  |
| <b>Passed Through Michigan Department of Education:</b>           |                             |                |                              |   |   |                                 |   |              |  |  |
| <b>Noncash Assistance (Commodities) -</b>                         |                             |                |                              |   |   |                                 |   |              |  |  |
| National Lunch Program Bonus<br>Commodities 2016-17               | N/A                         | 10.555         | \$ 35,096                    | -   | \$ -  | -                               | \$ 35,096   | \$ 35,096    | -  | \$ -   |
| <b>Cash Assistance:</b>   |                             |                |                              |   |   |                                 |   |              |  |  |
| National School Lunch Program 2016-17                             | 151960/<br>161960           | 10.555         | 340,887                      | -   | -   | -                               | 340,886   | 340,886      | -  | -  |
| National School Lunch Program<br>(including commodities) Subtotal |                             | 10.555         | 375,983                      | -   | -   | -                               | 375,982   | 375,982      | -  | -  |
| National School Breakfast Program 2016-17                         | 151970/<br>161970           | 10.553         | 186,623                      | -   | -   | -                               | 186,623   | 186,623      | -  | -  |
| Summer Food Service Program 2016-17                               | 150900/<br>151900           | 10.559         | 7,884                        | -   | -   | -                               | 7,884   | 7,884        | -  | -  |
| <b>Total Child Nutrition Cluster</b>                              |                             |                | 570,490                      | -   | -   | -                               | 570,489   | 570,489      | -  | -  |
| <b>Special Education Cluster - U.S. Department of Education -</b> |                             |                |                              |   |   |                                 |   |              |  |  |
| <b>Passed through the Macomb ISD</b>                              |                             |                |                              |   |   |                                 |   |              |  |  |
| <b>IDEA Flowthrough:</b>  |                             |                |                              |   |   |                                 |   |              |  |  |
| IDEA Flowthrough 1516   | 160450                      | 84.027A        | 214,520                      | 214,520                                   | 110,849   | -                               | 110,849   | -            | -  | -  |
| IDEA Flowthrough 1617   | 170450                      | 84.027A        | 211,954                      | -   | -   | -                               | 154,715   | 211,954      | 57,239   | -  |
| <b>Total Special Education Cluster</b>                            |                             | 84.027         | 426,474                      | 214,520                                   | 110,849   | -                               | 265,564   | 211,954      | 57,239   | -  |

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, 2017

| Program Title/Project<br>Number Subrecipient Name  | Grant/<br>Project<br>Number | CFDA<br>Number | Approved<br>Awards<br>Amount | (Memo Only)<br>Prior Year<br>Expenditures | Accrued<br>(Deferred)<br>Revenue at<br>July 1, 2016 | Adjustments<br>and<br>Transfers | Federal Funds/<br>Payments<br>In-kind<br>Received | Accrued<br>(Deferred)<br>Revenue at<br>June 30, 2017 | Current Year<br>Cash<br>Transferred To<br>Subrecipient |
|--|-----------------------------|----------------|------------------------------|---|---|---------------------------------|---|--|--|
| <b>Other Federal Awards:</b>   |                             |                |                              |   |   |                                 |   |  |  |
| Passed Through the Michigan Department of Education:                                     |                             |                |                              |   |   |                                 |   |  |  |
| <b>Child and Adult Care Food Program:</b>  |                             |                |                              |   |   |                                 |   |  |  |
|  | 161920/                     |                |                              |   |   |                                 |   |  |  |
|  | 162010/                     |                |                              |   |   |                                 |   |  |  |
|  | 171920/                     |                |                              |   |   |                                 |   |  |  |
| Child and Adult Care Food Program 2016-17  | 172010                      | 10.558         | 5,105                        | -   | -   | -                               | 5,105   | -  | -  |
| <b>Food Equipment Grant:</b>   |                             |                |                              |   |   |                                 |   |  |  |
| Food Equipment Grant 2016-17   | 151991                      | 10.579         | 17,070                       | -   | -   | -                               | 17,070  | -  | -  |
| <b>Fresh Fruit and Vegetable Program:</b>  |                             |                |                              |   |   |                                 |   |  |  |
| Fresh Fruit and Vegetable Program 2016-17  | 170950                      | 10.582         | 28,650                       | -   | -   | -                               | 28,650  | -  | -  |
| <b>Title I Part A:</b>   |                             |                |                              |   |   |                                 |   |  |  |
| Title I Part A 1516  | 161530                      | 84.010         | 588,497                      | 569,662                                   | 343,660   | -                               | 347,328   | -  | -  |
| Title I Part A 1617  | 171530                      | 84.010         | 583,030                      | -   | -   | -                               | 208,274   | 356,997  | -  |
| <b>Total Title I Part A</b>  |                             |                | 1,171,527                    | 569,662                                   | 343,660   | -                               | 555,602   | 356,997  | -  |
| <b>Title II Part A - Improving Teacher Quality</b>                                       |                             |                |                              |   |   |                                 |   |  |  |
| Title II Part A 1516   | 160520                      | 84.367         | 18,923                       | -   | -   | -                               | 7,385   | -  | -  |
| Title II Part A 1617   | 170520                      | 84.367         | 20,065                       | -   | -   | -                               | 14,510  | 4,953  | -  |
| <b>Total Title II Part A</b>   |                             |                | 38,988                       | -   | -   | -                               | 21,895  | 4,953  | -  |
| <b>Total Noncluster Programs Passed Through<br/>the Michigan Department of Education</b> |                             |                | 1,261,340                    | 569,662                                   | 343,660   | -                               | 628,322   | 361,950  | -  |
| <b>Total Federal Awards</b>  |                             |                | \$2,258,304                  | \$ 784,182                                | \$ 454,509  | \$ -                            | \$1,464,375                                       | \$ 419,189   | \$ -   |

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, 2017

#### Revenues to Expenditures

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

|   |                     |
|---|---------------------|
| General Fund  | \$ 807,741          |
| Special Revenue Fund  | <u>621,314</u>      |
| Federal expenditures per the schedule of expenditures of federal awards | <u>\$ 1,429,055</u> |

#### Receivables

|  |                   |
|--|-------------------|
| Receivables from federal sources - As reported on financial statements | \$ 421,844        |
| Timing difference between MDE payment and Academy receipt              | <u>(2,655)</u>    |
| Federal receivables per the schedule of expenditures of federal awards | <u>\$ 419,189</u> |

## CONNER CREEK ACADEMY EAST

### NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2017

#### NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of Conner Creek Academy East under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Conner Creek Academy East, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Conner Creek Academy East.

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

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

#### NOTE 3 – INDIRECT COST RATE

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

#### NOTE 4 - NONCASH ASSISTANCE

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

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

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



**CONNER CREEK ACADEMY EAST**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2017

**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\_none reported
  
- Noncompliance material to financial statements noted? x\_yes      \_\_\_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\_none reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? \_\_\_yes      x\_no

Identification of major programs:

| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|-----------------------|---|
| #84.010               | Title I Part A                            |

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

Auditee qualified as low-risk auditee? x\_yes      \_\_\_no

## CONNER CREEK ACADEMY EAST

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued FOR THE YEAR ENDED JUNE 30, 2017

#### SECTION II – FINANCIAL STATEMENT FINDINGS

**Reference  
Number**

**Findings**

2017-001

**Finding Type** – Noncompliance

**Criteria** – The Michigan Public School Accounting Manual, Section IV, indicates that, when used appropriately, a budget provides the school board and administration with the ability to control and evaluate the use of the Academy’s funds.

**Condition** – Actual results of operations came in \$60,884 less than anticipated in the final budget due to differences in revenues and expenditures.

**Cause / Effect** – The budget while amended during the year, did not accurately reflect actual final revenues which negatively affected anticipated results of operations. The effect was a violation of state law.

**Recommendation** – The Academy should fully review actual and anticipated revenues and expenditures and in response amend the budget accordingly in order to comply with state law.

**Auditee Response** – The auditee agrees with the finding. The Academy has reviewed and revised its accounting procedures to ensure actual results are properly and timely reviewed resulting in budget amendments throughout the year.

**CONNER CREEK ACADEMY EAST**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2017

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

**NONE**