

Academy of Warren

Financial Statements

June 30, 2021



Table of Contents

Section		Page
1	Members of the Board of Directors and Administration	1 - 1
2	Independent Auditors' Report	2 - 1
3	Management's Discussion and Analysis	3 - 1
4	Basic Financial Statements	
	Academy-wide Financial Statements	
	Statement of Net Position	4 - 1
	Statement of Activities	4 - 2
	Fund Financial Statements	
	Governmental Funds	
	Balance Sheet	4 - 3
	Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	4 - 4
	Statement of Revenues, Expenditures and Changes in Fund Balances	4 - 5
	Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	4 - 7
	Notes to the Financial Statements	4 - 8
5	Required Supplementary Information	
	Budgetary Comparison Schedule – General Fund	5 - 1
6	Other Supplementary Information	
	Combining Balance Sheet	6 - 1
	Combining Statement of Revenues, Expenditures and Changes in Fund Balances	6 - 2

Academy of Warren
Members of the Board of Directors and Administration
June 30, 2021

Members of the Board of Directors

John Mulligan	President
Tamika Lindsey	Vice President
Jacqueline Bray	Treasurer
Madonna Draughn	Secretary



800.968.0010 | yeoandyeo.com

Independent Auditors' Report

Management and the Board of Directors
Academy of Warren

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Academy of Warren, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Academy of Warren, as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Adoption of New Account Standards

As described in Note 1 to the financial statements, during the year ended June 30, 2021, the Academy adopted GASB Statement No. 84, *Fiduciary Activities*. Our opinions are not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison schedule, 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 Academy of Warren's basic financial statements. Other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The other supplementary information, as identified in the table of contents, is the responsibility of management and was derived from and relates 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 other supplementary information, as identified in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2021 on our consideration of Academy of Warren's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Academy of Warren's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Academy of Warren's internal control over financial reporting and compliance.

Yeo & Yeo, P.C.

Flint, MI

October 26, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT’S DISCUSSION AND ANALYSIS

The Academy of Warren (“ACADEMY”) is a Kindergarten through 8th grade Public School Academy located in Warren, Michigan. This Management’s Discussion and Analysis, a requirement of GASB 34, is intended to be the Academy of Warren administration’s discussion and analysis of the financial results for the fiscal year ended June 30, 2021.

FINANCIAL HIGHLIGHTS OF THE ACADEMY

	Current Fiscal Year	Prior Fiscal Year
State Aid Funding Per Pupil	\$8,111	\$8,111
Enrollment	639	690
General Fund Balance Increase/(Decrease)	\$401,431	\$300,466
General Fund Balance as percent of Unrestricted State Aid Revenue	35.4%	29.5%
Instructional Expenditures as percent of Total Expenditures	53.7%	53.0%

OVERVIEW OF THE FINANCIAL STATEMENTS

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

FUND FINANCIAL STATEMENTS:

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

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education’s “Accounting Manual.” In the State of Michigan, the Academy’s major instruction and instructional support activities are reported in the General Fund. Additional governmental activities are reported in their relevant Special Revenue Funds.

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

The Academy has one kind of fund:

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

ACADEMY WIDE FINANCIAL STATEMENTS:

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

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

Figure A-1 Organization of Academy Of Warren Annual Financial Report

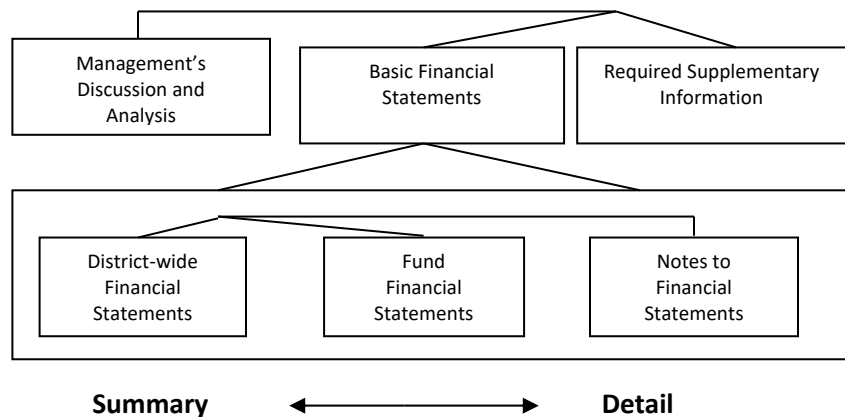


Figure A-2 summarizes the major features of the Academy’s financial statements, including the portion of the Academy’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights the structure and contents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

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

	Academy-wide statements	Fund Financial Statements
Scope	Entire Academy (except fiduciary funds)	All activities of the Academy that are not fiduciary
Required financial statements	* Statement of net position * Statement of activities	* Balance sheet * Statement of revenues, expenditures and changes in fund balances
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial 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
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable

FINANCIAL ANALYSIS OF THE ACADEMY AS A WHOLE

	Current Fiscal Year	Prior Fiscal Year
Ending General Fund Balance	\$2,245,006	\$1,843,575
Total General Fund Revenue	\$8,065,085	\$6,925,491
State Aid Foundation Allowance as percent of Academy Revenues	78.6%	90.2%
Total Cost of Instructional Programs	\$3,527,733	\$3,196,149
Instructional Expenditures as percent of Total Expenditures	53.7%	53.0%
Total Cost of Support/Operational Services	\$3,040,863	\$2,830,951
Support/Operational Services as percent of Total Expenditures	46.3%	47.0%
Total Expenditures transferred to Debt Service	\$570,058	\$613,437
Transfer to Debt Service as percent of Total Expenditures	8.8%	10.1%

ACADEMY GOVERNMENTAL ACTIVITIES

Summary of Net Position:

The following summarizes the net position at fiscal year ended June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Assets		
Current Assets	\$ 8,842,143	\$ 2,720,033
Capital Assets	9,104,650	5,811,610
Less: Accumulated Depreciation	(1,309,314)	(1,131,627)
Capital Assets, Net Book Value	<u>7,795,336</u>	<u>4,679,983</u>
Deferred Outflows	<u>103,991</u>	<u>-</u>
Total Assets and Deferred Outflows	<u>\$ 16,741,470</u>	<u>\$ 7,400,016</u>
Liabilities		
Current Liabilities	\$ 750,397	\$ 1,145,109
Long-term Liabilities	<u>9,563,475</u>	<u>551,000</u>
Total Liabilities and Deferred Inflows	<u>\$ 10,313,872</u>	<u>\$ 1,696,109</u>
Net Position		
Invested in Capital Assets, Net of Related Debt (Deficit)	\$ 3,180,092	\$ 3,608,983
Restricted for Food Service	-	-
Restricted for Debt Service	4,909,240	445,415
Unrestricted	<u>(1,661,734)</u>	<u>1,649,509</u>
Total Net Position	<u>\$ 6,427,598</u>	<u>\$ 5,703,907</u>

Results of Operations:

For the fiscal year ended June 30, 2021 and 2020, the Academy wide results of operations were:

	2021		2020	
	Amount	% of Total	Amount	% of Total
General Revenue:				
State of Michigan Aid - All Sources	\$ 5,654,880	65.73%	\$ 5,592,997	76.30%
Other	451	0.01%	59,963	0.82%
Total General Revenue	5,655,331	65.73%	5,652,960	77.12%
Program Revenue:				
Charges for Services	11,949	0.14%	-	0.00%
Operating Grants - Federal and State	2,936,294	34.13%	1,676,965	22.88%
Total Program Revenue	2,948,243	34.27%	1,676,965	22.88%
Total Revenue	8,603,574	100.00%	7,329,925	100.00%
Expenses:				
Instruction and Instructional Services	3,544,274	44.93%	3,262,495	49.12%
Support Services	3,062,204	38.82%	2,889,300	43.50%
Food Service	497,415	6.31%	389,345	5.86%
Community Services	2,059	0.03%	408	0.01%
Interest on Long-term Debt	783,201	9.93%	99,813	1.50%
Total Expenses	7,889,153	100.00%	6,641,361	100.00%
Change in Net Position	<u>\$ 714,421</u>		<u>\$ 688,564</u>	

During the fiscal year ended June 30, 2021, the Academy's net position increased by \$714,421 as compared to a net increase of \$688,564 in the prior fiscal year. The most significant difference between the prior year and current year is that total general fund federal revenue increased and costs increased to a lesser degree. Additional factors affecting the change in net position during the year are discussed below:

State of Michigan Aid and Other Factors affecting Revenue

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

- Per Student, Foundation Allowance: Annually, the State of Michigan sets the per student foundation allowance. The Academy of Warren foundation allowance was \$8,111.
- Student Enrollment: The Academy's student enrollment for the fall count of 2020-21 was 690 students. To calculate total state aid to be provided by the foundation allowance, a system (Section 25) where the funding follows the student was used. This means adjustments were made to the current year fall count when students enrolled or unenrolled until the current year winter count to calculate the adjusted fall count. A blend of 90% of the adjusted current year fall count and 10% of the prior year spring count is multiplied by the Academy's foundation allowance.
- Total Section 25 adjustment was -1.29FTE or (\$10,463).
- The academy saw only a small decrease enrollment and associated state funding by offering both in-person and virtual learning options in an area where some schools offered no choice due to the COVID-19 pandemic.
- With the reduction in state aid revenues that impacted the prior 2019-2020 school year, the Academy had been granted \$363,769 in federal CARES Act funding, all of which was carried over to the 2020-2021 academic school year.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

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

The Academy's revenues from General Fund operations exceeded expenditures by \$401,431 for the fiscal year ended June 30, 2021.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets

The Academy's net investment in capital assets increased by \$3,115,353 during the fiscal year. This can be summarized as follows:

	<u>Beginning Balance 6/30/20</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance 6/30/21</u>
Depreciable Capital Assets	\$ 5,512,756	\$ 144,535	\$ -	\$ 5,657,291
Less: Accumulated Depreciation	1,131,627	177,687	-	1,309,314
Construction in Progress (not depreciated)	<u>298,854</u>	<u>3,148,505</u>	<u>-</u>	<u>3,447,359</u>
 Net Investment in Capital Assets	 <u>\$ 4,679,983</u>	 <u>\$3,115,353</u>	 <u>\$ -</u>	 <u>\$ 7,795,336</u>

Depreciation Expense

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

For fiscal year ended June 30, 2021, the net increase in accumulated depreciation was \$1,309,314.

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

Debt, Principal Payments

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

	<u>Balance 6/30/2020</u>	<u>New Financings</u>	<u>Principal Payments</u>	<u>Balance 6/30/2021</u>
General Obligation Bonds	\$ 1,075,000	\$ 9,695,000	\$ 1,075,000	\$ 9,695,000
Premium on Bonds	-	18,475	-	18,475
Discount on Bonds	<u>(4,000)</u>	<u>-</u>	<u>(4,000)</u>	<u>-</u>
Total Long-term Obligations	<u>\$ 1,071,000</u>	<u>\$ 9,713,475</u>	<u>\$ 1,071,000</u>	<u>\$ 9,713,475</u>

In July of 2020, the Academy issued roughly \$9,000,000 in bonds for the purpose of renovating the entire campus. The renovation is nearing completion.

ECONOMIC FACTORS BEARING ON THE ACADEMY'S FUTURE

The Preliminary Budget for the 2021-22 Fiscal Year was adopted by the Board of Directors in June 2021. Few definite factors were known as the budget was being drafted, and others were unknown and needed to be projected with management's best estimates given the limited information available stemming from the pandemic. Some key factors and estimates used in the 2021-22 budget preparation process include:

- A modest increase in enrollment to continue budgeting conservatively;
- A modest increase in foundation allowance of only \$100 per pupil. The actual 21-22 Foundation Allowance is \$8,700 per pupil.
- The second year of county funding for the Macomb Millage Enhancement, which is expected to remain in effect for a total of ten years;
- Continued investment in staff retention with budgeted pay increases;
- Utilization of federal funding from the CARES Act (ESSER II) to preserve staff positions and to invest in acquiring and retaining the best staff possible.

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

CONTACTING THE ACADEMY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our students, parents and creditors with a general overview of the Academy's finances and to demonstrate the Academy's accountability for the money it receives. If you have questions about this report or need additional information, contact the Academy's office at 13943 Eight Mile Road, Warren, MI 48089.

BASIC FINANCIAL STATEMENTS

Academy of Warren
Statement of Net Position
June 30, 2021

	Governmental Activities
Assets	
Cash	\$ 1,138,177
Due from other governmental units	1,370,189
Investments	6,283,797
Prepaid items	49,980
Capital assets not being depreciated	3,447,359
Capital assets - net of accumulated depreciation	4,347,977
Total assets	16,637,479
Deferred Outflows of Resources	
Deferred amount on debt refunding	103,991
Total assets and deferred outflows of resources	16,741,470
Liabilities	
Accounts payable	85,443
Short-term note payable	72,727
Accrued expenditures	442,227
Long-term liabilities	
Due within one year	150,000
Due in more than one year	9,563,475
Total liabilities	10,313,872
Net Position	
Net investment in capital assets	3,180,092
Restricted for	
Food service	36,100
Debt service	954,290
Unrestricted	2,257,116
Total net position	\$ 6,427,598

See Accompanying Notes to the Financial Statements

Academy of Warren
Statement of Activities
For the Year Ended June 30, 2021

	Program Revenues			
Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position	
Functions/Programs				
Governmental activities				
Instruction	\$ 3,544,274	\$ -	\$ 2,048,642	\$ (1,495,632)
Supporting services	3,062,204	11,949	361,525	(2,688,730)
Food services	497,415	-	526,127	28,712
Community services	2,059	-	-	(2,059)
Interest on long-term debt	783,201	-	-	(783,201)
Total governmental activities	<u>\$ 7,889,153</u>	<u>\$ 11,949</u>	<u>\$ 2,936,294</u>	<u>(4,940,910)</u>
General revenues				
State aid - unrestricted				5,654,880
Interest and investment earnings				413
Other				38
Total general revenues				5,655,331
Change in net position				714,421
Net position - beginning, as restated				5,713,177
Net position - ending				\$ 6,427,598

See Accompanying Notes to the Financial Statements

**Academy of Warren
Governmental Funds
Balance Sheet
June 30, 2021**

	General Fund	Capital Project Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash	\$ 1,134,777	\$ -	\$ -	\$ 3,400	\$ 1,138,177
Due from other funds	214,167	-	-	44,810	258,977
Due from other governmental units	1,370,189	-	-	-	1,370,189
Investments	-	5,240,315	1,043,482	-	6,283,797
Prepaid items	49,980	-	-	-	49,980
Total assets	<u>\$ 2,769,113</u>	<u>\$ 5,240,315</u>	<u>\$ 1,043,482</u>	<u>\$ 48,210</u>	<u>\$ 9,101,120</u>
Liabilities					
Accounts payable	\$ 85,443	\$ -	\$ -	\$ -	\$ 85,443
Short-term note payable	72,727	-	-	-	72,727
Due to other funds	8,710	246,075	4,192	-	258,977
Accrued expenditures	357,227	-	-	-	357,227
Total liabilities	<u>524,107</u>	<u>246,075</u>	<u>4,192</u>	<u>-</u>	<u>774,374</u>
Fund Balances					
Non-spendable					
Prepaid items	49,980	-	-	-	49,980
Restricted for					
Debt service	-	-	1,039,290	-	1,039,290
Capital projects	-	4,994,240	-	-	4,994,240
Food service	-	-	-	36,100	36,100
Committed for student activities	-	-	-	12,110	12,110
Assigned for excess budgeted expenditures	173,000	-	-	-	173,000
Unassigned	2,022,026	-	-	-	2,022,026
Total fund balances	<u>2,245,006</u>	<u>4,994,240</u>	<u>1,039,290</u>	<u>48,210</u>	<u>8,326,746</u>
Total liabilities and fund balances	<u>\$ 2,769,113</u>	<u>\$ 5,240,315</u>	<u>\$ 1,043,482</u>	<u>\$ 48,210</u>	<u>\$ 9,101,120</u>

See Accompanying Notes to the Financial Statements

Academy of Warren
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2021

Total fund balances for governmental funds	\$	8,326,746
Total net position for governmental activities in the statement of net position is different because		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		
Capital assets not being depreciated		3,447,359
Capital assets - net of accumulated depreciation		4,347,977
Deferred outflows (inflows) of resources		
Deferred outflows of resources resulting from debt refunding		103,991
Certain liabilities are not due and payable in the current period and are not reported in the funds		
Accrued interest		(85,000)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities		
Bonds payable		<u>(9,713,475)</u>
Net position of governmental activities	\$	<u>6,427,598</u>

Academy of Warren
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2021

	General Fund	Capital Project Fund	Debt Service Fund	Nonmajor Governmental Fund	Total Governmental Funds
Revenues					
Local sources	\$ 38	\$ 359	\$ 54	\$ 11,949	\$ 12,400
State sources	6,335,239	-	-	16,322	6,351,561
Federal sources	1,408,061	-	-	509,805	1,917,866
Interdistrict sources	321,747	-	-	-	321,747
Total revenues	8,065,085	359	54	538,076	8,603,574
Expenditures					
Current					
Education					
Instruction	3,527,733	-	-	-	3,527,733
Supporting services	3,038,804	-	-	9,109	3,047,913
Food services	-	-	-	495,095	495,095
Community services	2,059	-	-	-	2,059
Facilities acquisition	-	3,148,505	-	-	3,148,505
Debt service					
Payment to bond refunding escrow agent	-	1,174,991	-	-	1,174,991
Interest and other expenditures	-	-	392,804	-	392,804
Bond issuance costs	-	316,397	-	-	316,397
Total expenditures	6,568,596	4,639,893	392,804	504,204	12,105,497
Excess (deficiency) of revenues over expenditures	1,496,489	(4,639,534)	(392,750)	33,872	(3,501,923)

See Accompanying Notes to the Financial Statements

Academy of Warren
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2021

	General Fund	Capital Project Fund	Debt Service Fund	Nonmajor Governmental Fund	Total Governmental Funds
Other Financing Sources (Uses)					
Proceeds from issuance of bonds	\$ -	\$ 9,695,000	\$ -	\$ -	\$ 9,695,000
Premium on issuance of bonds	-	18,475	-	-	18,475
Transfers in	-	525,000	975,625	-	1,500,625
Transfers out	(1,095,058)	(405,567)	-	-	(1,500,625)
Total other financing sources (uses)	(1,095,058)	9,832,908	975,625	-	9,713,475
Net change in fund balances	401,431	5,193,374	582,875	33,872	6,211,552
Fund balances - beginning, as restated	1,843,575	(199,134)	456,415	14,338	2,115,194
Fund balances - ending	<u>\$ 2,245,006</u>	<u>\$ 4,994,240</u>	<u>\$ 1,039,290</u>	<u>\$ 48,210</u>	<u>\$ 8,326,746</u>

See Accompanying Notes to the Financial Statements

Academy of Warren
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2021

Net change in fund balances - Total governmental funds	\$ 6,211,552
Total change in net position reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation expense	(177,687)
Capital outlay	3,293,040
Expenses are recorded when incurred in the statement of activities.	
Interest	(74,000)
Bond and note proceeds and capital leases are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are recorded as liabilities and amortized in the statement of activities. When debt refunding occurs, the difference in the carrying value of the refunding debt and the amount applied to the new debt is reported the same as regular debt proceeds or repayments, as a financing source or expenditure in the governmental funds. However, in the statement of net position, debt refunding may result in deferred inflows of resources or deferred outflows of resources, which are then amortized in the statement of activities.	
Debt issued	(9,695,000)
Repayments of long-term debt	1,174,991
Amortization of bond discount	<u>(18,475)</u>
Change in net position of governmental activities	<u>\$ 714,421</u>

See Accompanying Notes to the Financial Statements

Academy of Warren
Notes to the Financial Statements
June 30, 2021

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Academy of Warren conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the Academy's significant accounting policies:

Reporting Entity

The Academy was formed as a charter 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 has entered into a contract with Bay Mills Community College (Bay Mills) to charter a public school academy through June 30, 2026. 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 Bay Mills 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 Bay Mills 3 percent of state aid as administrative fees. The total administrative fees for the year ended June 30, 2021 to Bay Mills was \$189,612.

The Academy is governed by an appointed Board of Directors. 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 financial relationships that determine which of the governmental organizations are a part of the Academy's reporting entity, and which organizations are legally separate component units of the Academy. The Academy has no component units.

Academy-wide Financial Statements

The Academy's basic financial statements include both Academy-wide (reporting for the Academy as a whole) and fund financial statements (reporting the Academy's major funds). The Academy-wide financial statements categorize all nonfiduciary activities as either governmental or business type. All of the Academy's activities are classified as governmental activities.

The statement of net position presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The Academy's net position is reported in three parts (1) net investment in capital assets, (2) restricted net position, and (3) unrestricted net position.

The statement of activities reports both the gross and net cost of each of the Academy's functions. The functions are also supported by general government revenues (certain intergovernmental revenues). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (state sources and federal sources, interest income, etc.). The Academy does not allocate indirect costs. In creating the Academy-wide financial statements the Academy has eliminated interfund transactions.

The Academy-wide focus is on the sustainability of the Academy as an entity and the change in the Academy's net position resulting from current year activities.

Academy of Warren
Notes to the Financial Statements
June 30, 2021

Fund Financial Statements

Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected 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 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Unrestricted state aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

The Academy reports the following major governmental funds:

General Fund – The General Fund is used to record the general operations of the Academy pertaining to education and those operations not required to be provided for in other funds.

Capital Project Fund – The Capital Project Fund is used to record bond proceeds or other revenue and the disbursement of invoices specifically for acquiring new school sites, buildings, equipment, and for remodeling and repairs. The fund is kept open until the purpose for which the fund was created has been accomplished.

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

Additionally, the Academy reports the following fund types:

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The Academy's Special Revenue Funds include the Food Service Fund and Student Activity Fund. Operating deficits generated by these activities are generally covered by transfers from the General Fund.

Assets, Liabilities and Net Position or Equity

Receivables and Payables – Generally, outstanding amounts owed between funds are classified as “due from/to other funds”. These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

The Academy considers all accounts receivable to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

Prepaid Items – Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both Academy-wide and fund financial statements.

Academy of Warren
Notes to the Financial Statements
June 30, 2021

Capital Assets – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their acquisition value at the date of donation. The Academy defines capital assets as assets with an initial individual cost in excess of \$5,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The Academy does not have infrastructure assets. Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	10-50 years
Equipment and furniture	5-15 years

Fund Balance – In the fund financial statements, governmental funds report fund balance in the following categories:

Non-spendable – amounts that are not available in a spendable form.

Restricted – amounts that are legally imposed or otherwise required by external parties to be used for a specific purpose.

Committed – amounts that have been formally set aside by the Board of Education for specific purposes. A fund balance commitment may be established, modified, or rescinded by a resolution of the Board of Education.

Assigned – amounts intended to be used for specific purposes, as determined by the board of directors. The Board of directors has granted the Chief Administrative Officer the authority to assign funds. Residual amounts in governmental funds other than the General Fund are automatically assigned by their nature.

Unassigned – all other resources; the remaining fund balances after non-spendable, restrictions, commitments and assignments.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Academy's policy is to consider restricted funds spent first.

When an expenditure is incurred for purposes for which committed, assigned, or unassigned amounts could be used, the Academy's policy is to consider the funds to be spent in the following order: (1) committed, (2) assigned, (3) unassigned.

Use of 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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, as well as deferred inflows and deferred outflows of resources at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

Eliminations and Reclassifications

In the process of aggregating data for the statement of net position and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

Academy of Warren
Notes to the Financial Statements
June 30, 2021

Adoption of New Accounting Standards

Statement No. 84, *Fiduciary Activities* improves the guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The focus of the criteria includes the following: (1) is the government controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally will report fiduciary activities that are not held in a trust or similar arrangement that meets specific criteria.

Upcoming Accounting and Reporting Changes

Statement No. 87, *Leases* increases the usefulness of the District's financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. A lessee will be required to recognize a lease liability and an intangible right-to-use a lease asset, and a lessor will be required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about the District's leasing activities. The requirements of this Statement are effective for the fiscal year ending June 30, 2022.

Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. It requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest

cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reporting in a business-type activity or enterprise fund. Interest cost incurred before the end of a construction period should be recognized as an expenditure for financial statements prepared using the current financial resources measurement. The requirements of this Statement are effective for the fiscal year ending June 30, 2022.

Statement No. 91, *Conduit Debt Obligations* provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. This statement is effective for the year ending June 30, 2023.

Statement No. 93, *Replacement of Interbank Offered Rates* establishes accounting and financial reporting requirements related to the replacement of IBORs in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The requirements of this Statement apply to the financial statements of all state and local governments. The requirements of this Statement apply to the financial statements of all state and local governments. This statement is effective for the year ending June 30, 2022.

Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts

Academy of Warren
Notes to the Financial Statements
June 30, 2021

with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. This statement is effective for the year ending June 30, 2023.

Statement No. 96, *Subscription-Based Information Technology Arrangements*, is based on the standards established in Statement No. 87 *Leases*. This statement (1) defines a SBITA as a contract that conveys control of the right to use a SBITA vendor's IT software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction (2) requires governments with SBITAs to recognize a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability, and (3) provides guidance related to outlays other than subscription payments, including implementation costs, and requirements for note disclosures related to a SBITA. This statement is effective for the year ending June 30, 2023.

The Academy does not believe there will be an impact to the financial statements related to implementing the above GASBs.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and state law for the General and Special Revenue Funds. All annual appropriations lapse at fiscal yearend, thereby canceling all encumbrances. These appropriations are reestablished at the beginning of the year.

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. An Academy is not considered in violation of the law if reasonable procedures are in use by the Academy to detect violations.

The Chief Administrative Officer is authorized to transfer budgeted amounts between functions within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Directors.

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

Excess of Expenditures over Appropriations

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

Function	Final Budget	Amount of Expenditures	Budget Variances
General Fund			
Added needs	\$ 1,242,072	\$ 1,276,950	\$ 34,878
Instructional staff	9,500	52,040	42,540

Academy of Warren
Notes to the Financial Statements
June 30, 2021

Note 3 - Deposits and Investments

The breakdown between deposits and investments for the Academy is as follows:

Deposits (checking, savings accounts, money markets, certificates of deposit)	\$ 1,138,177
Investments in securities, mutual funds, and similar vehicles	<u>6,283,797</u>
Total	<u>\$ 7,421,974</u>

As of year end, the Academy had the following investments:

Investment	Fair Value	Maturities	Rating	Rating Organization
First American Government Obligation	<u>\$ 6,283,797</u>	24 days	Aaa-mf	Moody's

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

As of June 30, 2021, the School District has the following recurring fair value measurements:

Amounts invested in First American Government Obligation of approximately \$ 6.3 million are valued at current market prices (Level 1)

Interest rate risk – The Academy does not have a formal investment policy to manage its exposure to fair value losses arising from changes in interest rates.

Credit risk – State statutes authorize the Academy to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan; the Academy is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The Academy has no investment policy that would further limit its investment choices.

Concentration of credit risk – The Academy has no policy that would limit the amount that may be invested with any one issuer.

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. The Academy does not have a deposit policy for custodial credit risk. As of yearend, \$7,025,206 of the Academy's bank balance of \$7,525,206 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Academy of Warren
Notes to the Financial Statements
June 30, 2021

Note 4 - Capital Assets

A summary of the changes in governmental capital assets is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Construction-in-progress	\$ 298,854	\$ 3,148,505	\$ -	\$ 3,447,359
Capital assets being depreciated				
Buildings and additions	5,212,616	144,535	-	5,357,151
Equipment and furniture	300,140	-	-	300,140
Total capital assets being depreciated	5,512,756	144,535	-	5,657,291
Less accumulated depreciation for				
Buildings and additions	947,579	158,243	-	1,105,822
Equipment and furniture	184,048	19,444	-	203,492
Total accumulated depreciation	1,131,627	177,687	-	1,309,314
Net capital assets being depreciated	4,381,129	(33,152)	-	4,347,977
Net capital assets	\$ 4,679,983	\$ 3,115,353	\$ -	\$ 7,795,336

Depreciation expense was charged to activities of the Academy as follows:

Governmental activities	
Instruction	\$ 88,652
Supporting services	76,594
Food services	12,441
Total governmental activities	\$ 177,687

Note 5 - Interfund Receivables, Payables, and Transfers

Individual interfund receivable and payable balances at year end were:

Receivable Fund	Payable Fund	Amount
General Fund	Capital Projects Fund	\$ 209,975
Nonmajor Governmental Funds	Capital Projects Fund	36,100
Nonmajor Governmental Funds	Debt Service Fund	8,710
General Fund	Debt Service Fund	4,192
		<u>\$ 258,977</u>

The outstanding balances between funds result mainly from the time lag between the dates that transactions are recorded in the accounting system and payments between funds are made.

Management does not anticipate individual interfund balances to remain outstanding for periods in excess of one year.

Interfund transfers consist of the following:

	Transfers Out		
	General Fund	Capital Project Fund	Total
Transfers in			
Debt Service Fund	\$ 570,058	\$ 405,567	\$ 975,625
Capital Project Fund	525,000	-	525,000
	<u>\$ 1,095,058</u>	<u>\$ 405,567</u>	<u>\$ 1,500,625</u>

Transfers to the Debt Service fund were made to cover the cost of debt service. Transfers to the Capital Project Fund were made to cover the costs of purchases of equipment and building upgrades that exceeded the original debt raised.

Academy of Warren
Notes to the Financial Statements
June 30, 2021

Note 6 - Short-Term Debt

The Academy has a short-term note payable to Comerica Bank at an interest rate of 4.75%. The Academy issues short-term notes in advance of state aid collections, depositing the proceeds in the General Fund. These notes are necessary because the Academy receives state aid from October through the following August for its fiscal year ending June 30th. The Academy is required to pledge 100% of their state school aid, October through August, or until the note is repaid, whichever is longer. At June 30, 2021, the balance on the short-term note payable was \$72,727.

Note 7 - Long-Term Debt

The Academy issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge of future revenues of the Academy.

Long-term obligation activity is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Revenue bonds	\$ 1,075,000	\$ 9,695,000	\$ 1,075,000	\$ 9,695,000	\$ 150,000
Premium on bonds	-	18,475	-	18,475	-
Discount on bonds	(4,000)	-	(4,000)	-	-
Total	\$ 1,071,000	\$ 9,713,475	\$ 1,071,000	\$ 9,713,475	\$ 150,000

Revenue bonds payable at year end, consist of the following:

Revenue bonds due in annual installments of between \$150,000 and \$635,000 through May 1, 2050, interest is due every year at a rate of 5.50%	\$ 9,195,000
Revenue bonds due in annual installments of between \$25,000 and \$165,000 through May 1, 2025, interest is due every year at a rate of 5.50%	<u>500,000</u>
Total general obligation bonded debt	\$ <u>9,695,000</u>

Future principal and interest requirements for bonded debt are as follows:

	Principal	Interest	Total
Year Ending June 30,			
2022	\$ 150,000	\$ 520,850	\$ 670,850
2023	160,000	512,600	672,600
2024	165,000	503,800	668,800
2025	175,000	494,725	669,725
2026	185,000	485,850	670,850
2027 - 2031	1,075,000	2,280,500	3,355,500
2032 - 2036	1,365,000	1,984,500	3,349,500
2037 - 2041	1,765,000	1,581,525	3,346,525
2042 - 2046	2,310,000	1,039,775	3,349,775
2047 - 2050	<u>2,345,000</u>	<u>331,100</u>	<u>2,676,100</u>
Total	\$ <u>9,695,000</u>	\$ <u>9,735,225</u>	\$ <u>19,430,225</u>

The revenue bonds are payable from the Debt Service Funds. As of year end, the fund had a balance of \$1,039,290 to pay this debt. Future debt and interest will be payable from future earnings of general fund.

Interest expenditures for fiscal year 2021, in the Debt Service Fund was \$392,084.

Academy of Warren
Notes to the Financial Statements
June 30, 2021

The bonded debt agreement contains certain covenants, including maintenance of certain financial ratios as defined in the agreement. At June 30, 2021, the Academy was in compliance with the covenants.

In July of 2020, the Academy defeased their current debt and issued roughly \$9,695,000 in bonds for the purpose of renovating the entire campus. The renovation is expected to take 12-18 months.

Deferred Amount on Refunding

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$103,991. This amount is reported in the accompanying statement of net position as a deferred outflow (inflow) of resources and is being charged to activities through fiscal year 2025.

Defeased Debt

In prior years, the Academy has defeased various bonds issued by creating separate irrevocable trust funds. New debt has been issued and the net proceeds of each refunding were placed in separate special escrow accounts and invested in securities of the U.S. Government and its agencies. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the refunded bonds are considered to be defeased. Accordingly, the trust account assets and liability for the defeased bonds are not included in the Academy's financial statements. The final payment date is May 2022. As of year end, the amount of defeased debt outstanding but removed from the School District's financial statements is as follows:

Balance at June 30, 2021 was \$555,000.

Note 8 - 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 general liability and property and casualty. Settled claims

relating to the commercial insurance have not exceeded the amount of insurance coverage in the past three fiscal years.

Note 9 - Contingent Liabilities

Amounts received or receivable from grantor agencies are subjected to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of costs which may be disallowed by the grantor cannot be determined at this time, although the Academy expects such amounts, if any, to be immaterial. A separate report on federal compliance has been issued for the year June 30, 2021.

Note 10 - Management Company

The Academy operates under an Education Services Agreement with CS Partners, LLC (CSP) and CSP Management Inc. doing business as Partner Solutions (PS). Under the terms of this agreement, CSP provides a variety of services including management of operational areas, academic program support and compliance. The Academy is obligated to pay CSP ten percent of applicable revenues. Additionally, PS provides staffing for teachers, administrators and other individuals who provide educational programs at the Academy. The Academy is responsible for reimbursing PS for all costs incurred for providing staffing. The total fee for these management services amounted to approximately \$496,412 for the year ended June 30, 2021. The Academy also has \$357,227 accrued as of June 30, 2021 for July and August contracted employees which are paid as invoices are rendered.

Academy of Warren
Notes to the Financial Statements
June 30, 2021

Note 11 - Change in Accounting Principle

As indicated in Note 1, Governmental Accounting Standards Board Statement 84 has been adopted. The standard requires this change be applied retroactively. The impact of this change is to increase beginning net position in the statement of activities as of July 1, 2020 by \$9,270, restating it from \$5,703,907 to \$5,713,177.

REQUIRED SUPPLEMENTARY INFORMATION

Academy of Warren
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2021

	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
Revenues				
Local sources	\$ 15,000	\$ 362,630	\$ 38	\$ (362,592)
State sources	6,089,907	6,335,327	6,335,239	(88)
Federal sources	946,861	1,419,243	1,408,061	(11,182)
Interdistrict sources	-	-	321,747	321,747
	<u>7,051,768</u>	<u>8,117,200</u>	<u>8,065,085</u>	<u>(52,115)</u>
Total revenues				
Expenditures				
Instruction				
Basic programs	2,283,984	2,439,266	2,250,783	(188,483)
Added needs	1,370,189	1,242,072	1,276,950	34,878
Supporting services				
Pupil	337,102	330,971	280,695	(50,276)
Instructional staff	39,552	9,500	52,040	42,540
General administration	832,749	847,222	835,937	(11,285)
School administration	572,072	636,977	627,298	(9,679)
Business	38,000	30,000	21,359	(8,641)
Operations and maintenance	845,583	1,089,780	979,435	(110,345)
Central	115,200	267,724	242,040	(25,684)
Community services	52,489	10,781	2,059	(8,722)
	<u>6,486,920</u>	<u>6,904,293</u>	<u>6,568,596</u>	<u>(335,697)</u>
Total expenditures				

Academy of Warren
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>		
Excess of revenues over expenditures	\$ 564,848	\$ 1,212,907	\$ 1,496,489	\$ 283,582
Other Financing Sources (Uses)				
Transfers out	<u>(639,548)</u>	<u>(1,165,907)</u>	<u>(1,095,058)</u>	<u>70,849</u>
Net change in fund balance	(74,700)	47,000	401,431	354,431
Fund balance - beginning	<u>1,843,575</u>	<u>1,843,575</u>	<u>1,843,575</u>	<u>-</u>
Fund balance - ending	<u>\$ 1,768,875</u>	<u>\$ 1,890,575</u>	<u>\$ 2,245,006</u>	<u>\$ 354,431</u>

OTHER SUPPLEMENTARY INFORMATION

Academy of Warren
Other Supplementary Information
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2021

	Special Revenue Funds		Total Nonmajor Governmental Funds
	Food Service Fund	Student Activity Fund	
Assets			
Cash	\$ -	\$ 3,400	\$ 3,400
Due from other funds	<u>36,100</u>	<u>8,710</u>	<u>44,810</u>
Total assets	<u>\$ 36,100</u>	<u>\$ 12,110</u>	<u>\$ 48,210</u>
Fund Balance			
Restricted for			
Food service	\$ 36,100	\$ -	\$ 36,100
Committed for student activities	<u>-</u>	<u>12,110</u>	<u>12,110</u>
Total fund balances	<u>\$ 36,100</u>	<u>\$ 12,110</u>	<u>\$ 48,210</u>

Academy of Warren
Other Supplementary Information
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2021

	<u>Special Revenue Funds</u>		Total
	<u>Food Service</u>	<u>Student</u>	Nonmajor
	<u>Fund</u>	<u>Activity Fund</u>	<u>Governmental</u>
			<u>Funds</u>
Revenues			
Local sources	\$ -	\$ 11,949	\$ 11,949
State sources	16,322	-	16,322
Federal sources	<u>509,805</u>	<u>-</u>	<u>509,805</u>
 Total revenues	 <u>526,127</u>	 <u>11,949</u>	 <u>538,076</u>
 Expenditures			
Current			
Education			
Student activities	-	9,109	9,109
Food services	<u>495,095</u>	<u>-</u>	<u>495,095</u>
 Total expenditures	 <u>495,095</u>	 <u>9,109</u>	 <u>504,204</u>
 Excess of revenues over expenditures	 31,032	 2,840	 33,872
 Fund balances - beginning, as restated	 <u>5,068</u>	 <u>9,270</u>	 <u>14,338</u>
 Fund balances - ending	 <u>\$ 36,100</u>	 <u>\$ 12,110</u>	 <u>\$ 48,210</u>