

COLE ACADEMY

**REPORT ON FINANCIAL STATEMENTS
(with required supplementary and
additional supplementary information)**

YEAR ENDED JUNE 30, 2021

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT.....	1-3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4-9
BASIC FINANCIAL STATEMENTS.....	10
Government-wide Financial Statements	
Statement Of Net Position.....	11
Statement of Activities.....	12
Fund Financial Statements	
Balance Sheet - Governmental Funds	13-14
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	15-16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Notes to Financial Statements.....	18-31
REQUIRED SUPPLEMENTARY INFORMATION	32
Budgetary Comparison Schedule - General Fund	33
ADDITIONAL SUPPLEMENTARY INFORMATION	34
Long-term Obligations	
Bond Payable.....	35
Notes Payable	36-37
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 <i>GOVERNMENT AUDITING STANDARDS</i>	38-39

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Cole Academy

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 Cole Academy, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Cole Academy's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are 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 and each major fund of Cole Academy as of June 30, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary 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 Cole Academy's basic financial statements. The additional supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Such information 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. The information has been subjected to the auditing procedures applied in the audits 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 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 information is fairly stated, in all material respects, in relation to the 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 September 1, 2021 on our consideration of Cole Academy'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 Cole Academy'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 Cole Academy's internal control over financial reporting and compliance.

Maney Costeiran PC

September 1, 2021

MANAGEMENT’S DISCUSSION AND ANALYSIS

This section of Cole Academy’s (Academy) annual financial report presents our discussion and analysis of the Academy’s financial performance during the fiscal year that ended on June 30, 2021. Please read it in conjunction with the Academy’s financial statements, which immediately follow this section.

Financial Highlights

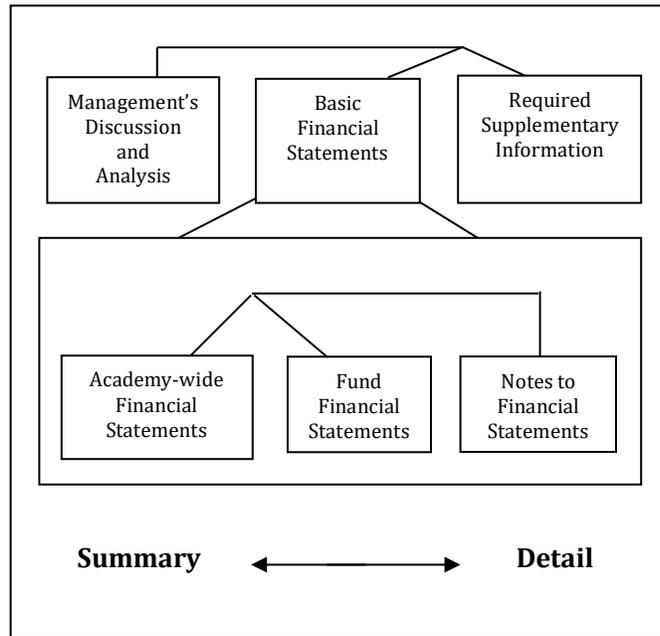
- Total revenue increased by 37.1% in 2020-21.
- The Academy had an increase in fund balance in the general fund of \$383,068 compared to a budgeted increase of \$326,475. This gives the Academy a fund balance of \$874,420 as of June 30, 2021.

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 Academy:

- The first two statements are *Academy-wide financial statements* that provide both *short-term* and *long-term* information about the Academy’s *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the Academy, reporting the Academy’s operations *in more detail* than the Academy-wide statements.
- The *governmental funds* statements tell how *basic* services like regular and special education were financed in the *short-term* as well as what remains for future spending.
- 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 Cole Academy**



MANAGEMENT’S DISCUSSION AND ANALYSIS

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	Governmental Funds
Scope	Entire Academy	The activities of the Academy that are not proprietary or fiduciary, such as special education and building maintenance
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

Academy-wide Statements

The Academy-wide statements report information about the Academy as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the Academy’s assets and liabilities. 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 Academy-wide statements report the Academy’s net position and how they have changed. Net position - the difference between the Academy’s assets and liabilities, is one way to measure the Academy’s financial health or position.

- Over time, increases or decreases in the Academy’s net position are an indicator of whether its financial position is improving or deteriorating, respectively.

MANAGEMENT'S DISCUSSION AND ANALYSIS

- To assess the overall health of the Academy, you need to consider additional non-financial factors such as changes in the Academy's enrollment, the condition of school buildings and other facilities, and the Academy's ability to be competitive with other public school academies and area school districts.

Governmental Activities - The Academy's basic services are included in here, such as regular education and special education, transportation and administration. State foundation aid finances most of these activities.

Fund Financial Statements

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

- Some funds are required by state law and by debt agreements.
- The Academy 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 (like food services).

All of the Academy's basic services are included in governmental funds which generally focus on (1) how cash and other financial assets 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 difference) between them.

Financial Analysis of the Academy as a Whole

Net Position - the Academy's combined net position of \$1,838,039 increased by \$611,507 during the year, (see Figures A-3 and A-4).

Total revenues increased by 37.1%, or \$1,200,609, to \$4,434,804. One-time federal funding related to COVID-19 and a charter school grant accounted for an increase in revenue of \$201,961 and \$212,701 respectively. The remaining increase in the current year was due to the increase in pupil count and state funding. State aid foundation allowance included in revenue from state sources accounts for 70% of the Academy's revenues in 2021.

The total cost of instruction increased by 37.9%, or \$552,253, to \$2,010,034.

Total support service increased by 19.8%, or \$168,791, to \$1,019,576.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Academy Governmental Activities

Figure A-3		
Cole Academy's Net Position		
	2021	2020
Current and other	\$ 1,676,114	\$ 1,157,426
Capital assets	6,717,833	6,727,569
Total assets	8,393,947	7,884,995
Other liabilities	445,334	354,962
Long-term liabilities outstanding	6,110,574	6,303,501
Total liabilities	6,555,908	6,658,463
Net position		
Net investment in capital assets	607,259	424,068
Restricted for debt service	351,865	329,347
Restricted for food service	88,095	44,665
Unrestricted	790,820	428,452
Total net position	\$ 1,838,039	\$ 1,226,532

Figure A-4		
Changes in Cole Academy's Net Position		
	2021	2020
REVENUES		
Program revenues		
Federal and state categorical grants	\$ 966,395	\$ 367,693
Charges for services	26,409	67,218
General revenues		
State aid - unrestricted	3,117,953	2,536,755
Investment earnings	48	3,478
Other	323,999	259,059
Total general revenues	3,442,000	2,799,292
TOTAL REVENUES	4,434,804	3,234,203
Expenses		
Instruction	2,010,034	1,457,781
Support services	1,019,576	850,785
Community services	13,620	8,358
Food services	154,986	150,997
Interest and fees	409,704	364,373
Unallocated depreciation	215,377	195,748
Total expenses	3,823,297	3,028,042
Change in net position	\$ 611,507	\$ 206,161

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Analysis of the Academy's Funds

The financial operation of the Academy is considered stable. The fund balance at June 30, 2021 is \$874,420 in the general fund. There was a 38.7% increase in general fund revenues. There was a 42.4% increase in expenditures for instructional programs and an increase of 18.6% in expenditures for support services.

General Fund Budgetary Highlights

Over the course of the year, the Academy revised the general fund annual operating budget when necessary. Changes were made in both revenue and expenditures which reflected anticipated increases in state aid and actual salary figures for staff.

The Academy's final budget for the general fund anticipated revenues would exceed expenditures and other financing uses by \$326,475. The actual results for the year showed revenues exceeded expenditures and other financing uses by \$383,068.

Actual revenues were \$130,452 less than budgeted, a 3.0% variance.

Actual expenditures were \$183,126 less than budgeted, a 4.8% variance.

Capital Asset and Debt Administration

Capital Assets

By the end of the year ended June 30, 2021, the Academy had invested \$6,717,833 in capital assets consisting primarily of land, buildings and improvements, equipment and furniture net of accumulated depreciation. This amount represents a net decrease in capital assets of \$9,736 from the beginning of the year. More detailed information about capital assets can be found in Note 4 to the financial statements. Total depreciation expense for the year was \$215,377.

The Academy's capital assets are as follows:

	2021		2020	
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Building	\$ 6,952,671	\$ 1,250,707	\$ 5,701,964	\$ 5,830,244
Improvements	181,394	136,198	45,196	43,942
Equipment	433,298	212,625	220,673	103,383
Land	750,000	-	750,000	750,000
Total	<u>\$ 8,317,363</u>	<u>\$ 1,599,530</u>	<u>\$ 6,717,833</u>	<u>\$ 6,727,569</u>

Debt Administration

The Academy paid \$196,540 in principal and \$407,457 in interest on long-term debt during the year. More detailed information about long-term obligations can be found in Note 6 to the financial statements.

Economic Factors Bearing on the Academy's Future

At the time these financial statements were prepared and audited, the Academy was aware of existing circumstances that could significantly affect its financial health in the future.

- The Academy has adopted a general fund budget for 2021-2022 in which revenues exceed expenditures by \$244,108. The budget includes one-time federal revenues in the amount of \$290,795 from the Elementary & Secondary School Emergency Relief Award (ESSER-II).
- The Academy has not budgeted for one-time federal revenues in the amount of \$653,083 from the ESSER-III Award.
- The Academy has an operating fund balance of \$874,420, at the start of the 2021-2022 fiscal year which represents 24.1% of the projected operating expenditures for the year.

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 1915 West Mount Hope, Lansing, Michigan, 48910. Phone (517) 372-0038.

BASIC FINANCIAL STATEMENTS

**COLE ACADEMY
STATEMENT OF NET POSITION
JUNE 30, 2021**

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 667,357
Intergovernmental receivable	702,330
Prepays	15,490
Restricted investments	290,937
Capital assets not being depreciated	750,000
Capital assets, net of accumulated depreciation	<u>5,967,833</u>
TOTAL ASSETS	<u>8,393,947</u>
LIABILITIES	
Accounts payable	37,486
Accrued interest	22,672
Accrued salaries and related items	185,204
Unearned revenues	121,972
State aid note payable	78,000
Noncurrent liabilities:	
Due within one year	269,903
Due in more than one year	<u>5,840,671</u>
TOTAL LIABILITIES	<u>6,555,908</u>
NET POSITION	
Net investment in capital assets	607,259
Restricted for special revenue (food service)	88,095
Restricted for debt service	351,865
Unrestricted	<u>790,820</u>
TOTAL NET POSITION	<u><u>\$ 1,838,039</u></u>

See notes to financial statements.

**COLE ACADEMY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021**

Functions/Programs	Expenses	Program Revenues		Governmental Activities
		Charges for Services	Operating Grants	Net (Expense) Revenue and Changes in Net Position
Governmental activities				
Instruction	\$ 2,010,034	\$ -	\$ 696,626	\$ (1,313,408)
Support services	1,019,576	-	59,884	(959,692)
Community services	13,620	21,480	-	7,860
Food services	154,986	4,929	209,885	59,828
Interest and fees	409,704	-	-	(409,704)
Unallocated depreciation	215,377	-	-	(215,377)
Total governmental activities	<u>\$ 3,823,297</u>	<u>\$ 26,409</u>	<u>\$ 966,395</u>	<u>(2,830,493)</u>
General revenues				
Investment earnings				48
State sources - unrestricted				3,117,953
Local sources				13,516
ISD sources				<u>310,483</u>
Total general revenues				<u>3,442,000</u>
CHANGE IN NET POSITION				611,507
NET POSITION, beginning of year				<u>1,226,532</u>
NET POSITION, end of year				<u>\$ 1,838,039</u>

See notes to financial statements.

**COLE ACADEMY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2021**

	General Fund	Debt Service Fund	Nonmajor (Special Revenue) Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 667,357	\$ -	\$ -	\$ 667,357
Investments	-	290,937	-	290,937
Receivables				
Intergovernmental	686,044	-	16,286	702,330
Due from other funds	-	-	71,809	71,809
Prepays	15,490	-	-	15,490
	<u>15,490</u>	<u>-</u>	<u>-</u>	<u>15,490</u>
TOTAL ASSETS	<u>\$ 1,368,891</u>	<u>\$ 290,937</u>	<u>\$ 88,095</u>	<u>\$ 1,747,923</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 37,486	\$ -	\$ -	\$ 37,486
Accrued salaries and related items	185,204	-	-	185,204
Unearned revenue	121,972	-	-	121,972
State aid note payable	78,000	-	-	78,000
Due to other funds	71,809	-	-	71,809
	<u>71,809</u>	<u>-</u>	<u>-</u>	<u>71,809</u>
TOTAL LIABILITIES	<u>494,471</u>	<u>-</u>	<u>-</u>	<u>494,471</u>

See notes to financial statements.

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Nonmajor (Special Revenue) Fund</u>	<u>Total Governmental Funds</u>
FUND BALANCES				
Nonspendable				
Prepaid expenditures	\$ 15,490	\$ -	\$ -	\$ 15,490
Restricted				
Debt service	83,600	290,937	-	374,537
Food service	-	-	88,095	88,095
Unassigned - general fund	<u>775,330</u>	<u>-</u>	<u>-</u>	<u>775,330</u>
TOTAL FUND BALANCES	<u>874,420</u>	<u>290,937</u>	<u>88,095</u>	<u>1,253,452</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,368,891</u>	<u>\$ 290,937</u>	<u>\$ 88,095</u>	<u>\$ 1,747,923</u>
Total governmental fund balances				\$ 1,253,452
Amounts reported for governmental activities in the statement of net position are different because:				
Capital assets used in governmental activities are not financial resources and are not reported in the funds:				
The cost of the capital assets is			\$ 8,317,363	
Accumulated depreciation is			<u>(1,599,530)</u>	6,717,833
Long-term liabilities are not due and payable in the current period and are not reported in the funds:				
Long-term debt				(6,110,574)
Accrued interest is not included as a liability in government funds, it is recorded when paid				<u>(22,672)</u>
Net position of governmental activities				<u>\$ 1,838,039</u>

See notes to financial statements.

COLE ACADEMY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2021

	General Fund	Debt Service Fund	Nonmajor (Special Revenue) Fund	Total Governmental Funds
REVENUES				
Local sources				
Food sales	\$ -	\$ -	\$ 4,929	\$ 4,929
Investment earnings	30	18	-	48
Other	34,996	-	-	34,996
Total local sources	35,026	18	4,929	39,973
State sources	3,351,713	-	5,488	3,357,201
Federal sources	522,750	-	204,397	727,147
Incoming transfers	310,483	-	-	310,483
TOTAL REVENUES	4,219,972	18	214,814	4,434,804
EXPENDITURES				
Instruction				
Basic programs	1,569,169	-	-	1,569,169
Added needs	530,806	-	-	530,806
Total instruction	2,099,975	-	-	2,099,975
Support services				
Pupil	164,107	-	-	164,107
Instructional staff	19,870	-	-	19,870
General administration	175,942	-	-	175,942
School administration	249,867	-	-	249,867
Business	45,790	-	-	45,790
Operation and maintenance	228,881	-	-	228,881

See notes to financial statements.

	General Fund	Debt Service Fund	Nonmajor (Special Revenue) Fund	Total Governmental Funds
EXPENDITURES (continued)				
Support services (continued)				
Central support services	\$ 126,265	\$ -	\$ -	\$ 126,265
Total support services	<u>1,010,722</u>	<u>-</u>	<u>-</u>	<u>1,010,722</u>
Community services	13,620	-	-	13,620
Food services	-	-	154,986	154,986
Capital outlay	114,259	-	10,295	124,554
Debt service				
Principal retirement	81,540	115,000	-	196,540
Interest and fiscal charges	<u>309,557</u>	<u>97,900</u>	<u>-</u>	<u>407,457</u>
TOTAL EXPENDITURES	<u>3,629,673</u>	<u>212,900</u>	<u>165,281</u>	<u>4,007,854</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>590,299</u>	<u>(212,882)</u>	<u>49,533</u>	<u>426,950</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	6,103	213,334	-	219,437
Transfers out	<u>(213,334)</u>	<u>-</u>	<u>(6,103)</u>	<u>(219,437)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(207,231)</u>	<u>213,334</u>	<u>(6,103)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	383,068	452	43,430	426,950
FUND BALANCES				
Beginning of year	<u>491,352</u>	<u>290,485</u>	<u>44,665</u>	<u>826,502</u>
End of year	<u>\$ 874,420</u>	<u>\$ 290,937</u>	<u>\$ 88,095</u>	<u>\$ 1,253,452</u>

See notes to financial statements.

**COLE ACADEMY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021**

Net change in fund balances total governmental funds \$ 426,950

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

Governmental funds report capital outlays as expenditures. In the statement of activities these costs are allocated over their estimated useful lives as depreciation:

Depreciation expense	(215,377)
Capital outlay	205,641

Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:

Accrued interest payable, beginning of the year	24,038
Accrued interest payable, end of the year	(22,672)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any affect on net position. Also, governmental funds report the effect of bond discounts and premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The effect of these differences in the treatment of long-term debt and related items are as follows:

Principal retirement - long-term obligations	196,540
Amortization of bond discount	(3,613)
	192,927

Change in net position of governmental activities \$ 611,507

**COLE ACADEMY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of 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 nonfiduciary activities of the Academy. The Academy currently does not have fiduciary activities. *Governmental activities* normally are supported by intergovernmental revenues.

Reporting Entity

Cole Academy (the "Academy") is a public school academy as part of the Michigan Public School System under Public Act No. 362 of 1993. Central Michigan University is the authorizing governing body for the Academy and has contracted with the Academy to charter the public school through June 2022. Board members are approved by the authorizing governing body and have decision making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. The Academy receives funding from local, state, and federal sources and must comply with all of the requirements of these funding source entities. However, the Academy is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. In addition, the Academy's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statements.

Basis of Presentation - Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Basis of Presentation - Fund Financial Statements

The fund financial statements provide information about the Academy's funds. Separate statements for each fund category are presented. The emphasis of fund financial statements is on major governmental funds. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The Academy reports the following major governmental funds:

The *general fund* is the Academy's primary operating fund. It accounts for all financial resources of the Academy, except those required to be accounted for in another fund.

The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term debt.

The Academy reports the following nonmajor governmental fund:

The *special revenue fund* accounts for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The Academy accounts for its food service activity in a special revenue fund.

COLE ACADEMY
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation - Fund Financial Statements (continued)

During the course of operations the Academy has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. 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 generally 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. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

State and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end).

**COLE ACADEMY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting (continued)

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to public school academies based on information supplied by the academies. For the current year ended, the foundation allowance was based on pupil membership counts.

The state portion of the foundation is provided primarily by a state education property tax millage of six mills on Principal Residence Exemption (PRE) property and an allocated portion of state sales and other taxes. The state revenue is recognized during the foundation period and is funded through payments from October to August. Thus, the unpaid portion at June 30 is reported as an intergovernmental receivable.

The Academy also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received and accrued, which are not expended by the close of the fiscal year are recorded as unearned revenue.

All other revenue items are generally considered to be measurable and available only when cash is received by the Academy.

Budgetary Information

Budgetary Basis of Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and special revenue fund.

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

1. The Chief Administrative Officer submits to the Board of Directors a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Prior to July 1, the budget is legally adopted by Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, in the general fund are noted in the required supplementary information section.

COLE ACADEMY
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgetary Basis of Accounting (continued)

3. Transfers may be made for budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the Board of Directors.
4. The budget was amended during the year with supplemental appropriations, the last one approved prior to year-end June 30, 2021. The Academy does not consider these amendments to be significant.

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

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 original maturities of three months or less from the date of acquisition.

Investments

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. 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.

State statutes authorize the Academy to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance 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. District or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

**COLE ACADEMY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

Capital Assets

Capital assets, as summarized below are reported in the government-wide financial statements. Capital assets are defined by the Academy as assets with an initial, individual cost of more than \$1,000 and a useful life in excess of one year. Group purchases are evaluated on a case by case basis. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

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

Land and construction in progress, if any, are not depreciated. Capital assets of the Academy are depreciated using the straight line method over the following estimated useful lives:

<u>Capital Asset Classes</u>	<u>Lives</u>
Building	39
Improvements	5 - 20
Equipment	3 -20

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until that time. The Academy has no items that qualify for reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Academy has no items that qualify for reporting in this category.

Net Position Flow Assumption

Sometimes the Academy will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Academy's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

**COLE ACADEMY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

Fund Balance Flow Assumptions

Sometimes the Academy will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the Academy's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The Academy itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Academy's highest level of decision-making authority. The Board of Directors is the highest level of decision-making authority for the Academy that can, by adoption of a board action prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the board action remains in place until a similar action is taken (the adoption of another board action) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the Academy for specific purposes but do not meet the criteria to be classified as committed. Intent can be expressed by the Board of Directors or by an official or body to which the Board of Directors delegates authority. The Board of Directors may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Revenues and Expenditures/Expenses

Program Revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or segment. Unrestricted state aid, interest, and other internally dedicated resources are reported as general revenues rather than as program revenues.

COLE ACADEMY
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues and Expenditures/Expenses (continued)

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method which approximates the effective interest method over the term of the related debt. Bond issuance costs are reported as expenditures in the year in which they are incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

NOTE 2 - DEPOSITS AND RESTRICTED INVESTMENTS

As of June 30, 2021, the Academy had the following investments subject to the following risks:

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, 2021, \$334,021 of the Academy's bank balance of \$706,332 was exposed to custodial credit risk.

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, brokers/dealers, intermediaries, and advisors with which the Academy will do business.

**COLE ACADEMY
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND RESTRICTED INVESTMENTS (continued)

Interest Rate Risk

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.

Investment Type	Fair Value	Weighted Average Maturity (Years)
First American Funds Gov't Obligations Fund - class D	<u>\$ 290,937</u>	<u>0.0027</u>
Portfolio weighted average maturity		<u>0.0027</u>

One day maturity equals 0.0027, one year equals 1.00

Investment Type	Fair Value	Rating	Rating Agency
First American Funds Gov't Obligations Fund - class D	<u>\$ 290,937</u>	AAAm	Standard & Poor's

The Academy invests in external pooled investment funds which included government obligations. The government obligation reports as of June 30, 2021, the fair value of the Academy's investments is the same as the value of the pool shares. These investments are restricted under the terms of the revenue refunding bonds debt agreement for debt service.

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, 2021, the Academy did not have investments in commercial paper and corporate bonds.

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.

Foreign Currency Risk

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

**COLE ACADEMY
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND RESTRICTED INVESTMENTS (continued)

Fair Value Measurement

The Academy is required to disclose amounts within a framework established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

- Level 1: Quoted prices in active markets for identical securities.
- Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include prices for similar securities, interest rates, prepayment speeds, credit risk and others.
- Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used. Unobservable inputs reflect the Academy's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

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

NOTE 3 - INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables at June 30, 2021 consist of the following:

Governmental units	
State aid	\$ 613,210
Federal revenue	<u>89,120</u>
	<u><u>\$ 702,330</u></u>

Amounts due from governmental units include amounts due from federal and state sources for various projects and programs.

Because of the Academy's favorable collection experience, no allowance for doubtful accounts has been recorded.

COLE ACADEMY
NOTES TO FINANCIAL STATEMENTS

NOTE 4 - CAPITAL ASSETS

A summary of changes in the Academy's capital assets follows:

	<u>Balance July 1, 2020</u>	<u>Additions and Transfers</u>	<u>Deletions and Transfers</u>	<u>Balance June 30, 2021</u>
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 750,000	\$ -	\$ -	\$ 750,000
Capital assets being depreciated				
Building	6,914,389	38,282	-	6,952,671
Improvements	173,167	8,227	-	181,394
Equipment	288,267	159,132	14,101	433,298
Total capital assets being depreciated	<u>7,375,823</u>	<u>205,641</u>	<u>14,101</u>	<u>7,567,363</u>
Accumulated depreciation				
Building	1,084,145	166,562	-	1,250,707
Improvements	129,180	7,018	-	136,198
Equipment	184,929	41,797	14,101	212,625
Total accumulated depreciation	<u>1,398,254</u>	<u>215,377</u>	<u>14,101</u>	<u>1,599,530</u>
Net capital assets being depreciated	<u>5,977,569</u>	<u>(9,736)</u>	<u>-</u>	<u>5,967,833</u>
Net governmental capital assets	<u>\$ 6,727,569</u>	<u>\$ (9,736)</u>	<u>\$ -</u>	<u>\$ 6,717,833</u>

Depreciation for the fiscal year ended June 30, 2021 amounted to \$215,377. The Academy determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

NOTE 5 - NOTE PAYABLE - STATE AID ANTICIPATION NOTE

At June 30, 2021, the Academy has issued a state aid anticipation note payable in the amount of \$429,000 which has an interest rate of 3.45% and matures on August 20, 2021. Proceeds of the note were used to fund school operations. The note is secured by the full faith and credit of the Academy as well as pledged state aid. The note required payments to an irrevocable set-aside account of \$351,000. At year-end the balance of these payments are considered defeased debt and are not included in the year-end balance. In an event of a default on the note, the state may impose a penalty interest rate and at the state's discretion, accelerate the repayment terms. Activity for the year ended June 30, 2021 is as follows:

<u>Balance July 1, 2020</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance June 30, 2021</u>
\$ 72,000	\$ 429,000	\$ (423,000)	\$ 78,000

COLE ACADEMY
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - LONG-TERM OBLIGATIONS

The following is a summary of long-term obligations activity for the Academy for the year ended June 30, 2021.

	General Obligation Bonds	Notes from Direct Borrowing and Direct Placements	Total
	<u> </u>	<u> </u>	<u> </u>
Balance, July 1, 2020	\$ 1,791,445	\$ 4,512,056	\$ 6,303,501
Principal repayments	(115,000)	(81,540)	(196,540)
Amortization of bond discount	<u>3,613</u>	<u>-</u>	<u>3,613</u>
Balance, June 30, 2021	1,680,058	4,430,516	6,110,574
Due within one year	<u>120,000</u>	<u>149,903</u>	<u>269,903</u>
Total due in more than one year	<u>\$ 1,560,058</u>	<u>\$ 4,280,613</u>	<u>\$ 5,840,671</u>

Long-term obligations at June 30, 2021 consists of the following issues:

General Obligation Bonds

2013 Revenue refunding bonds due in annual installments of \$120,000 to \$370,000 through April 1, 2031 with interest ranging from 4.75% to 5.625%.	\$ 1,715,000
Less discount on bond, net of amortization	<u>(34,942)</u>
Total general obligation bonds	<u>1,680,058</u>

Notes from Direct Borrowing and Direct Placements

Construction note payable - Construction of a new campus. The note bears an interest rate of 5.75%. Monthly principal and interest payments of \$25,736 are required until the note matures in March 2025, in which all remaining principal and interest is due.	3,570,453
Construction note payable - Construction of a new campus. The note bears an interest rate of 6.375%. Monthly principal and interest payments of \$8,333 are required until the note matures in January 2024, in which all remaining principal and interest is due.	<u>860,063</u>
Total notes from direct borrowing and direct placements	<u>4,430,516</u>
Total general long-term obligations	<u>\$ 6,110,574</u>

**COLE ACADEMY
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - LONG-TERM OBLIGATIONS (continued)

The Academy's outstanding notes from direct borrowings related to governmental activities of \$4,430,516 contain provisions that in an event of default, either by (1) unable to make principal or interest payments (2) false or misrepresentation is made to the lender (3) become insolvent or make an assignment for the benefit of its creditors (4) if the lender at any time in good faith believes that the prospect of payment of any indebtedness is impaired. Upon the occurrence of any default event, the outstanding amounts, including accrued interest become immediately due and payable.

The annual requirements to amortize long-term obligations outstanding as of June 30, 2021, are as follows:

Year Ending June 30,	General Obligation Bonds		Notes from Direct Borrowing and Direct Placements		Total
	Principal	Interest	Principal	Interest	
2022	\$ 120,000	\$ 90,688	\$ 149,903	\$ 258,919	\$ 619,510
2023	130,000	84,988	159,148	249,673	623,809
2024	135,000	78,812	879,604	221,141	1,314,557
2025	140,000	72,062	3,241,861	139,623	3,593,546
2026	145,000	65,062			210,062
2027 - 2031	1,045,000	200,686	-	-	1,245,686
	1,715,000	592,298	4,430,516	869,356	7,607,170
Bond discount, net of amortization	(34,942)	-	-	-	(34,942)
	<u>\$ 1,680,058</u>	<u>\$ 592,298</u>	<u>\$ 4,430,516</u>	<u>\$ 869,356</u>	<u>\$ 7,572,228</u>

Interest expense (all funds) for the year ended June 30, 2021 was approximately \$407,500.

NOTE 7 - TRANSFERS

Transfers between the governmental funds were as follows:

Transfers Out		Transfers In	
General fund	\$ 213,334	Debt service fund	\$ 213,334
Special revenue fund	6,103	General fund	6,103
	<u>\$ 219,437</u>		<u>\$ 219,437</u>

The transfers to the debt service fund from the general fund were to pay the debt service principal and interest payments. Transfers to the general fund were made by the special revenue fund were to reimburse the general fund for costs incurred.

**COLE ACADEMY
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - INTERFUND RECEIVABLES AND PAYABLES

Interfund payable and receivable balances at June 30, 2021 are as follows:

Receivable Fund	Payable Fund
Special revenue fund	General fund
\$ <u>71,809</u>	\$ <u>71,809</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems, and (3) payments between funds are made.

NOTE 9 - OVERSIGHT FEES

The Academy pays an administrative oversight fee of 3% of its state school aid discretionary and Proposal A obligation payments to Central Michigan University, as set forth by contract, to reimburse the University Board for the cost of execution of its oversight responsibilities. These oversight responsibilities include the monitoring of the Academy’s compliance with the terms and conditions of the contract, and the review of its audited financial statements and periodic reports. During the year ended June 30, 2021, the Academy incurred expense of approximately \$91,000 for oversight fees.

NOTE 10 - LEASED EMPLOYEES

The Academy leases all of its employees from a professional employment organization (PEO). Salaries, retirement, social security, health insurance and unemployment taxes are the responsibility of the PEO. The Academy contributes 4% of the annual compensation each period for eligible employees to the PEO retirement plan resulting in retirement expense of approximately \$66,000 in 2021.

NOTE 11 - RISK MANAGEMENT

The Academy is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees’ and natural disasters. To minimize the risk, the Academy carries commercial insurance.

NOTE 12 - CONTINGENT LIABILITIES

Amounts received or receivable from grant agencies are subject to audit and adjustments 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 expenditures that may be disallowed by the grantor cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

COLE ACADEMY
NOTES TO FINANCIAL STATEMENTS

NOTE 13 - UPCOMING ACCOUNTING PRONOUNCEMENTS

Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, was issued by the GASB in June 2017. The objective of this Statement is to increase the usefulness of governments' 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 the underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The Academy is currently evaluating the impact this standard will have on the financial statements when adopted during the 2021-2022 fiscal year.

In May 2020, the GASB issued Statement No. 96, *Subscription-based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The Academy is currently evaluating the impact this standard will have on the financial statements when adopted during the 2022-2023 fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION

**COLE ACADEMY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2021**

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Local sources	\$ 54,000	\$ 18,600	\$ 35,026	\$ 16,426
State sources	2,962,751	3,371,454	3,351,713	(19,741)
Federal sources	118,710	642,683	522,750	(119,933)
Other and incoming transfers	262,854	317,687	310,483	(7,204)
TOTAL REVENUES	3,398,315	4,350,424	4,219,972	(130,452)
EXPENDITURES				
Instruction				
Basic programs	1,354,073	1,683,462	1,569,169	114,293
Added needs	370,053	536,791	530,806	5,985
Total instruction	1,724,126	2,220,253	2,099,975	120,278
Support services				
Pupil	131,550	165,050	164,107	943
Instructional staff	19,950	39,081	19,870	19,211
General administration	153,349	181,090	175,942	5,148
School administration	252,335	271,110	249,867	21,243
Business	56,871	56,871	45,790	11,081
Operation and maintenance	217,890	217,890	228,881	(10,991)
Pupil transportation services	2,965	2,965	-	2,965
Central support services	121,623	104,070	126,265	(22,195)
Total support services	956,533	1,038,127	1,010,722	27,405
Community services	25,209	23,919	13,620	10,299
Capital outlay	40,000	146,500	114,259	32,241
Debt service				
Principal retirement	-	81,000	81,540	(540)
Interest and fiscal charges	384,000	303,000	309,557	(6,557)
TOTAL EXPENDITURES	3,129,868	3,812,799	3,629,673	183,126
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	268,447	537,625	590,299	52,674
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	6,103	6,103
Transfers out	(211,150)	(211,150)	(213,334)	(2,184)
TOTAL OTHER FINANCING SOURCES (USES)	(211,150)	(211,150)	(207,231)	3,919
NET CHANGE IN FUND BALANCE	\$ 57,297	\$ 326,475	383,068	\$ 56,593
FUND BALANCE				
Beginning of year			491,352	
End of year			<u>\$ 874,420</u>	

ADDITIONAL SUPPLEMENTARY INFORMATION

**COLE ACADEMY
LONG TERM DEBT
BONDED DEBT
YEAR ENDED JUNE 30, 2021**

\$2,495,000 Revenue Refunding Bonds issued February 1, 2013:

Principal Due April 1	Interest Due		Debt Service Requirement for Fiscal Year	
	October 1	May 1	June 30,	Amount
\$ 120,000	\$ 45,344	\$ 45,344	2022	\$ 210,688
130,000	42,494	42,494	2023	214,988
135,000	39,406	39,406	2024	213,812
140,000	36,031	36,031	2025	212,062
145,000	32,531	32,531	2026	210,062
155,000	28,906	28,906	2027	212,812
165,000	25,031	25,031	2028	215,062
170,000	20,391	20,391	2029	210,782
185,000	15,609	15,609	2030	216,218
370,000	10,406	10,406	2031	390,812
<u>\$ 1,715,000</u>	<u>\$ 296,149</u>	<u>\$ 296,149</u>		<u>\$ 2,307,298</u>

**COLE ACADEMY
LONG TERM DEBT
NOTE PAYABLE
YEAR ENDED JUNE 30, 2021**

\$3,640,000 Construction note issued on August 10, 2017:

Principal	Interest	June 30,	Amount
\$ 103,393	\$ 205,433	2022	\$ 308,826
109,584	199,241	2023	308,825
115,615	193,211	2024	308,826
3,241,861	139,623	2025	3,381,484
\$ 3,570,453	\$ 737,508		\$ 4,307,961

**COLE ACADEMY
LONG TERM DEBT
NOTE PAYABLE
YEAR ENDED JUNE 30, 2021**

\$964,188 Construction note issued on August 10, 2017:

<u>Principal</u>	<u>Interest</u>	<u>June 30,</u>	<u>Amount</u>
\$ 46,510	\$ 53,486	2022	\$ 99,996
49,564	50,432	2023	99,996
<u>763,989</u>	<u>27,930</u>	2024	<u>791,919</u>
<u>\$ 860,063</u>	<u>\$ 131,848</u>		<u>\$ 991,911</u>

**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
Cole Academy

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Cole Academy as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Cole Academy's basic financial statements and have issued our report thereon dated September 1, 2021.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect 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 Cole Academy's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

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September 1, 2021