

**W-A-Y Academy**

**Financial Statements**

**June 30, 2015**

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**W-A-Y Academy**  
**Members of the Board of Directors and Administration**  
**June 30, 2015**

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Members of the Board of Directors

Elizabeth Bauer	President
Pamela Wong	Vice President
Michael Murray	Treasurer
Dr. Glenn Croxton	Secretary
Patrick Irwin	Member
Dr. Barbara LeRoy	Member

Administration

Sonya Townsend	School Leader
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## Independent Auditors' Report

Management and the Board of Directors  
W-A-Y Academy  
Detroit, Michigan

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of W-A-Y Academy, as of and for the year ended June 30, 2015, 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 W-A-Y Academy, as of June 30, 2015, 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.

## **Other Matters:**

### ***Required Supplementary Information***

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2015, on our consideration of W-A-Y 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering W-A-Y Academy's internal control over financial reporting and compliance.

*Yeo & Yeo, P.C.*

Flint, Michigan  
October 15, 2015

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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# W-A-Y Academy

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## Management's Discussion and Analysis For Fiscal Year Ended June 30, 2015

W-A-Y Academy is a grade 7-12 Public School Academy located in Detroit, Michigan. This Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Academy administration's discussion and analysis of the financial results for the fiscal year ended June 30, 2015.

### 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 capital assets and long-term debt are not 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 statements, 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. Payments of principal and interest on long-term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

#### 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. Capital assets and long-term obligations of the Academy are reported in the Statement of Net Position of the Academy-wide financial statements. The Academy has no capital assets or long-term obligations as of the end of the fiscal year.

## W-A-Y Academy

### Management's Discussion and Analysis For Fiscal Year Ended June 30, 2015

#### FINANCIAL ANALYSIS OF THE ACADEMY AS A WHOLE

##### Summary of Net Position:

The following summarizes the net position for the fiscal year ended June 30, 2015:

##### Assets

Cash	\$ 136,603
Accounts Receivable	81,944
Due from other governmental units	857,872
Prepaid items	<u>14,710</u>

**Total assets** 1,091,129

##### Liabilities

Accounts payable	536,409
State aid note payable	63,581
Accrued expenditures	210,658
Unearned revenue	<u>25,570</u>

**Total liabilities** 836,218

**Net position** \$ 254,911

The change in net position is summarized as follows:

2014-2015 was W-A-Y Academy's third year of operation. Enrollment decreased slightly by 31 students over the prior school year for a total enrollment of 458 for the fiscal year. The Academy is projecting moderate growth or stability between the two sites for next year's enrollment.

## W-A-Y Academy

### Management's Discussion and Analysis For Fiscal Year Ended June 30, 2015

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues Operating Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
<b>Functions/Programs</b>				
Governmental activities				
Instruction	\$2,651,788	\$ -	\$ 1,004,693	\$ (1,647,095)
Supporting services	1,652,421	-	(71,131)	(1,723,552)
Food services	<u>98,048</u>	<u>-</u>	<u>68,602</u>	<u>(29,446)</u>
Total governmental activities	<u>\$4,402,257</u>	<u>\$ -</u>	<u>\$ 1,002,164</u>	<u>(3,400,093)</u>
General revenues				
State aid - unrestricted				3,341,974
Other				<u>762</u>
Change in net position				(57,357)
Net position - beginning				<u>312,268</u>
Net position - ending				<u>\$ 254,911</u>

#### FINANCIAL ANALYSIS OF THE ACADEMY'S FUNDS

Factors affecting the change in net position during the year are discussed below: 2014-2015 was the third year of operation for W-A-Y Academy. Overall growth of the academy regarding student enrollment decreased 6.8% from the prior year. However, initial revenues and expenditures both decreased due to a reduction in anticipated students at both campus locations. Federal funds and amendments were made available in a more timely fashion this year, and therefore, were utilized more fully in the current fiscal year.

## W-A-Y Academy

### Management's Discussion and Analysis For Fiscal Year Ended June 30, 2015

**A. Results of Operations:** For the fiscal year ended June 30, 2015, the results of the Academy's operations were:

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>			
Local sources	\$ 124,292	\$ -	\$ 124,292
State sources	3,603,051	7,707	3,610,758
Federal sources	<u>667,565</u>	<u>60,895</u>	<u>728,460</u>
Total revenues	<u>4,394,908</u>	<u>68,602</u>	<u>4,463,510</u>
<b>Expenditures</b>			
Current			
Education			
Instruction	2,649,869	-	2,649,869
Supporting services	1,651,225	-	1,651,225
Food services	-	98,048	98,048
Capital outlay	<u>3,115</u>	<u>-</u>	<u>3,115</u>
Total expenditures	<u>4,304,209</u>	<u>98,048</u>	<u>4,402,257</u>
Excess (deficiency) of revenues over expenditures	<u>90,699</u>	<u>(29,446)</u>	<u>61,253</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	29,446	29,446
Transfers out	<u>(29,446)</u>	<u>-</u>	<u>(29,446)</u>
Total other financing sources (uses)	<u>(29,446)</u>	<u>29,446</u>	<u>-</u>
Net change in fund balance	61,253	-	61,253
Fund balance - beginning	<u>112,268</u>	<u>-</u>	<u>112,268</u>
Fund balance - ending	<u>\$ 173,521</u>	<u>\$ -</u>	<u>\$ 173,521</u>

# W-A-Y Academy

## Management's Discussion and Analysis For Fiscal Year Ended June 30, 2015

### B. Unrestricted State Aid

State aid revenue is determined by the following variables:

- Per Student, Foundation Allowance: Annually, the State of Michigan sets the per student foundation allowance. The W-A-Y Academy foundation allowance was \$7,218 per pupil.
- Student Enrollment: The Academy's student enrollment for the fall count of 2014-15 was 446 students. Enrollment increased slightly to 458 for the supplemental count in February. To calculate total state aid to be provided by the foundation allowance, a blend of the fall count and the February count is multiplied by the Academy's foundation allowance.

Subsequent to year-end June 30, 2015, preliminary student enrollments for 2014 - 2015 indicate that the 2014 fall student enrollment will increase moderately. The expected increase in enrollment is due to minor growth at the second location on Chicago Avenue in West Detroit.

### C. General Fund Budgetary Highlights

#### General Fund Operations

The Academy's revenues from General Fund operations exceeded expenditures by \$89,699 for the fiscal year ended June 30, 2015. \$29,446 was used to balance the Food Service Fund, leaving the change in General Fund Balance of \$61,253.

#### Final Budget vs. Actual

<u>Fiscal Year</u>	<u>Final Budget</u>	<u>Final Actual</u>
Revenues		
2014-2015	\$ 4,796,340	\$ 4,394,908
2015-2016 (projected)	5,948,612	
Expenditures		
2014-2015	4,720,950	4,304,209
2015-2016 (projected)	5,882,824	

# W-A-Y Academy

## Management's Discussion and Analysis For Fiscal Year Ended June 30, 2015

### Original vs. Final Budget

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1 of the start of the fiscal year.

As a matter of practice, W-A-Y Academy amends its budget periodically as needed during the school year. For the fiscal year 2014-2015, the budget was amended in June 2015. The June 15, 2015 budget amendment was the final budget for the fiscal year. The W-A-Y Academy Board does not budget for expenditures covered by grants or for the grant revenue until an award is received. The General Fund does budget for capital outlays in the original budget.

### Change from Original to Final General Fund Budget

#### Revenues:

Total Revenues Original Budget	\$ 4,875,395
Total Revenues Final Budget	<u>4,796,340</u>
Decrease in Budgeted Revenues	\$ <u>79,055</u>

The Academy's final general fund revenues were less than the final budget by \$401,432, a variance of 8.36%. This variance was primarily a result of unspent federal grant allocations awarded to the Academy. Those allocations are available through September 30 and it is anticipated that a majority of these unspent allocations at June 30 will be used before the end of the grant period.

The following are the significant changes in revenues from the original budget:

- Decrease in student enrollment over initial projections.
- Adjustment to actual grant allocations as estimates were used in the original budget.

#### Expenditures:

The Academy's budget for expenditures changed as follows during the year:

Total Expenditures Original Budget	\$ 4,593,605
Total Expenditures Final Budget	<u>4,720,950</u>
Increase in Budgeted Expenditures	\$ <u>127,345</u>

## W-A-Y Academy

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### Management's Discussion and Analysis For Fiscal Year Ended June 30, 2015

The Academy's actual expenditures were less than final budget by \$ 415,741 a variance of 8.81%. These cost savings were primarily a result of under spending federal grant allocations described above under the explanation of the revenue variance.

The following are the significant changes in expenditures from the original budget:

- Adjustment to actual state and federal grant allocations expenditures as estimates were used in the original budget. The Academy broadened grant services due to an increase in grant allocations.
- Adjustment was made to update budgeted line-item for salaries and benefits due to actual staffing costs.
- Management and authorizer fees adjusted due to state and federal grant allocation changes.

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Preliminary Budget for the 2014-15 fiscal year was adopted by the Board of Education on June 15, 2015. 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 based on perceived interest from the community. Some key factors and estimates used in the 2014-15 budget preparation process include:

- Projected 2014-2015 increase of \$173 will bring the actual allowance to \$7,391 per pupil.
- Enrollment projections of 600 students in grades 7-12:
- Increases in staffing to accommodate increased student enrollment.
- Slight increases in benefit costs due to both increases in premiums and the increase in the number of staff eligible to receive benefits.

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.

### CONTACTING THE ACADEMY'S MANAGEMENT

This financial report is designed to provide our citizens and taxpayers with a general overview of the Academy's finances. If you have questions about this report or need additional information, please contact Kelli Glenn, Director of Finance, at 369 Main Street, Belleville, Michigan, 48111 (313-444-9292).

## BASIC FINANCIAL STATEMENTS

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**W-A-Y Academy**  
**Statement of Net Position**  
**June 30, 2015**

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	<u>Governmental Activities</u>
<b>Assets</b>	
Cash	\$ 136,603
Accounts receivable	81,944
Due from other governmental units	857,872
Prepaid items	<u>14,710</u>
Total assets	<u>1,091,129</u>
<b>Liabilities</b>	
Accounts payable	536,409
State aid anticipation note payable	63,581
Accrued expenditures	210,658
Unearned revenue	<u>25,570</u>
Total liabilities	<u>836,218</u>
<b>Net Position</b>	
Restricted for	
Grant-specific expenditures	81,390
Unrestricted	<u>173,521</u>
Total net position	<u>\$ 254,911</u>

See Accompanying Notes to the Financial Statements

**W-A-Y Academy**  
**Statement of Activities**  
**For the Year Ended June 30, 2015**

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	Program Revenues		Net (Expense)
Expenses	Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
<b>Functions/Programs</b>			
Governmental activities			
Instruction	\$ 2,651,788	\$ -	\$ 1,004,693
Supporting services	1,652,421	-	(71,131)
Food services	98,048	-	68,602
Total governmental activities	\$ 4,402,257	\$ -	\$ 1,002,164
General revenues			
State aid - unrestricted			3,341,974
Other			762
Total general revenues			3,342,736
Change in net position			(57,357)
Net position - beginning			312,268
Net position - ending			\$ 254,911

See Accompanying Notes to the Financial Statements

**W-A-Y Academy  
Governmental Funds  
Balance Sheet  
June 30, 2015**

	General Fund	Nonmajor Fund Food Service Fund	Total Governmental Funds
<b>Assets</b>			
Cash	\$ 128,649	\$ 7,954	\$ 136,603
Accounts receivable	81,944	-	81,944
Due from other funds	17,567	-	17,567
Due from other governmental units	845,089	12,783	857,872
Prepaid items	14,710	-	14,710
Total assets	<u>\$ 1,087,959</u>	<u>\$ 20,737</u>	<u>\$ 1,108,696</u>
<b>Liabilities</b>			
Accounts payable	\$ 533,239	\$ 3,170	\$ 536,409
State aid anticipation note payable	63,581	-	63,581
Due to other funds	-	17,567	17,567
Accrued expenditures	210,658	-	210,658
Unearned revenue	25,570	-	25,570
Total liabilities	<u>833,048</u>	<u>20,737</u>	<u>853,785</u>
<b>Deferred inflows of resources</b>			
Unavailable revenue			
Operating grants	81,390	-	81,390
<b>Fund Balance</b>			
Non-spendable			
Prepaid items	14,710	-	14,710
Assigned for technology	30,000	-	30,000
Assigned for Board of Directors discretion	128,811	-	128,811
Total fund balance	<u>173,521</u>	<u>-</u>	<u>173,521</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 1,087,959</u>	<u>\$ 20,737</u>	<u>\$ 1,108,696</u>

See Accompanying Notes to the Financial Statements

**W-A-Y Academy**  
**Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position**  
**June 30, 2015**

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<b>Total fund balances for governmental funds</b>	\$ 173,521
Total net position for governmental activities in the statement of net position is different because	
Certain receivables are not available to pay for current period expenditures and, therefore, are unavailable in the funds.	
Other local sources	<u>81,390</u>
<b>Net position of governmental activities</b>	<u>\$ 254,911</u>

**W-A-Y Academy**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2015**

	General Fund	Nonmajor Fund Food Service Fund	Total Governmental Funds
<b>Revenues</b>			
Local sources	\$ 124,292	\$ -	\$ 124,292
State sources	3,603,051	7,707	3,610,758
Federal sources	<u>667,565</u>	<u>60,895</u>	<u>728,460</u>
Total revenues	<u>4,394,908</u>	<u>68,602</u>	<u>4,463,510</u>
<b>Expenditures</b>			
Current			
Education			
Instruction	2,649,869	-	2,649,869
Supporting services	1,651,225	-	1,651,225
Food services	-	98,048	98,048
Capital outlay	<u>3,115</u>	<u>-</u>	<u>3,115</u>
Total expenditures	<u>4,304,209</u>	<u>98,048</u>	<u>4,402,257</u>
Excess (deficiency) of revenues over expenditures	<u>90,699</u>	<u>(29,446)</u>	<u>61,253</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	29,446	29,446
Transfers out	<u>(29,446)</u>	<u>-</u>	<u>(29,446)</u>
Total other financing sources (uses)	<u>(29,446)</u>	<u>29,446</u>	<u>-</u>
Net change in fund balance	61,253	-	61,253
Fund balance - beginning	<u>112,268</u>	<u>-</u>	<u>112,268</u>
Fund balance - ending	<u>\$ 173,521</u>	<u>\$ -</u>	<u>\$ 173,521</u>

See Accompanying Notes to the Financial Statements

**W-A-Y Academy**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances**  
**of Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2015**

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**Net change in fund balances - Total governmental funds** \$ 61,253

Total change in net position reported for governmental activities in the statement of activities is different because

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.

Operating grants (118,610)

**Change in net position of governmental activities** \$ (57,357)

**W-A-Y Academy**  
**Notes to Financial Statements**  
**June 30, 2015**

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**Note 1 - Summary of Significant Accounting Policies**

The accounting policies of W-A-Y Academy (Academy) 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 established on June 26, 2012 as a public school academy pursuant to the Michigan School Code of 1976, as amended, and administered by Lake Superior State University (LSSU). The Academy is located in the Detroit area providing education for approximately 480 students from grades seven through twelve. The Academy was organized on a non-stock, directorship basis, as a Michigan nonprofit corporation.

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 as well as the fund statements categorize all nonfiduciary activities as governmental.

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 and certain intergovernmental revenues. The statement of activities reduces gross expenses 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 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.

**Fund Financial Statements**

Separate financial statements are provided for governmental funds. 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

**W-A-Y Academy**  
**Notes to Financial Statements**  
**June 30, 2015**

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accounting. However, expenditures related to 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.

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. Operating deficits generated by these activities are generally covered by a transfer from the General Fund.

**Assets, Liabilities and Net Position**

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.

Deferred inflows of resources – A deferred inflow of resources is an acquisition of net position by the government that is applicable to a future reporting period. For governmental funds this includes

unavailable revenue in connection with receivables for revenues that are not considered available to liquidate liabilities of the current period.

Fund Equity – 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 Directors for specific purposes. A fund balance commitment may be established, modified, or rescinded by a resolution of the Board of Directors.

Assigned – amounts intended to be used for specific purposes, as determined by the Board of Directors. 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.

**W-A-Y Academy**  
**Notes to Financial Statements**  
**June 30, 2015**

**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.

**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 year end, 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 Director of Finance and Operations is authorized to transfer budgeted amounts between functions within any fund provided that the transfer does not exceed \$ 1,000. 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.

**Excess of Expenditures over Appropriations**

The Academy had expenditures in excess of budgeted amounts as follows:

Function	Final Budget	Amount of Expenditures	Budget Variances
General Fund			
Basic programs	\$ 2,167,843	\$ 2,180,431	\$ 12,588
Pupil	89,539	90,494	955
Operations and maintenance	292,183	293,540	1,357

**Note 3 - Deposits And Investments**

The Academy's deposits were reported in the basic financial statements in the following category:

	Governmental Activities
Cash	\$ <u>136,603</u>

Interest rate risk – The Academy has a formal investment policy to manage its exposure to fair value losses arising from changes in interest rates.

Credit risk – State statutes and the Academy's investment policy 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.

**W-A-Y Academy**  
**Notes to Financial Statements**  
**June 30, 2015**

*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 year-end, the entire amount of the Academy's bank balance of \$ 137,739 was insured.

**Note 4 - State Aid Anticipation Note**

The School District issues state aid anticipation notes in advance of state aid collections, depositing the proceeds in the General Fund. These notes are necessary because the School District receives state aid from October through the following August for its fiscal year ending June 30th.

Short-term debt activity for the year was as follows:

	<u>Beginning Balance</u>	<u>Proceeds</u>	<u>Repayments</u>	<u>Ending Balance</u>
State aid anticipation note	\$ 72,747	\$ 354,000	\$ 363,166	\$ 63,581

The State aid anticipation note agreement bears interest at 3.3% and includes an irrevocable set-aside of \$ 290,419 at year end that is considered defeased debt and not included in the ending balance.

**Note 5 - Interfund Receivable And Payable And Transfers**

Individual interfund receivable and payable balances at year end were:

<u>Due From Fund</u>	<u>Due to Fund</u>	<u>Amount</u>
Food Service Fund	General Fund	<u>\$ 17,567</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 net transfers were made during the year from the General Fund to the Food Service Fund totaling \$ 28,446. These transfers were made to cover the costs of the Academy's food service programs that were in excess of revenues generated from those activities.

**Note 6 - Unearned Revenue**

Governmental funds report unearned revenue in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the entire balance of unearned revenue consisted of grant and categorical aid payments received prior to meeting all eligibility requirements.

**Note 7 - 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, 2015.

**Note 8 - Related Parties**

The Academy's charter is authorized by LSSU. The Academy pays LSSU three percent of state aid as administration fees. The total fees incurred during the year was approximately \$ 108,000.

The Academy has a management agreement with W-A-Y Program, Incorporated (a Michigan non-profit corporation) to provide educational and administrative services.

**W-A-Y Academy**  
**Notes to Financial Statements**  
**June 30, 2015**

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For the term of the agreement, W-A-Y Program receives an annual fee per pupil for all pupils of the Academy. In addition, W-A-Y Program receives all residual revenues of the Academy after expenditures have been paid at year end as part of their fee to manage the Academy.

Additionally, W-A-Y Program will be reimbursed for all costs incurred and paid on behalf of the Academy. Such costs include, but are not limited to, salaries of W-A-Y Program employees, costs related to curriculum, instructional materials, textbooks, library books, computers, software, supplies, food service, transportation, special education, psychological services and medical services. Total management, program, and administrative fee expense paid to W-A-Y Program for the year ended June 30, 2015 was approximately \$ 3,200,000.

The Academy also subleases space from W-A-Y Program. Minimum lease payments of \$ 5,866 are due monthly until December 31, 2014 and then \$ 3,200 thereafter until June 30, 2015. In addition, the Academy must pay monthly common area maintenance costs, including property taxes and insurance premiums. Total rent expense for the year was approximately \$ 135,000. In the event that the master lease is terminated for any reason, the sublease would be terminated as well.

The Academy has a liability to W-A-Y Program of approximately \$ 710,000 at June 30, 2015.

## REQUIRED SUPPLEMENTARY INFORMATION

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**W-A-Y Academy**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule - General Fund**  
**For the Year Ended June 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Local sources	\$ 120,500	\$ 131,278	\$ 124,292	\$ (6,986)
State sources	4,216,658	3,612,359	3,603,051	(9,308)
Federal sources	<u>538,237</u>	<u>1,052,703</u>	<u>667,565</u>	<u>(385,138)</u>
Total revenues	<u>4,875,395</u>	<u>4,796,340</u>	<u>4,394,908</u>	<u>(401,432)</u>
<b>Expenditures</b>				
Instruction				
Basic programs	2,744,294	2,167,843	2,180,431	12,588
Added needs	540,747	799,917	469,438	(330,479)
Supporting services				
Pupil	35,450	89,539	90,494	955
Instructional staff	86,938	323,743	258,125	(65,618)
General administration	399,623	529,550	519,575	(9,975)
School administration	500	1,800	1,599	(201)
Business	44,530	43,397	38,217	(5,180)
Operations and maintenance	342,289	292,183	293,540	1,357
Pupil transportation services	13,000	13,000	5,908	(7,092)
Central	383,119	456,863	443,767	(13,096)
Capital outlay	<u>3,115</u>	<u>3,115</u>	<u>3,115</u>	<u>-</u>
Total expenditures	<u>4,593,605</u>	<u>4,720,950</u>	<u>4,304,209</u>	<u>(416,741)</u>
Excess of revenues over expenditures	<u>281,790</u>	<u>75,390</u>	<u>90,699</u>	<u>15,309</u>

**W-A-Y Academy**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule - General Fund**  
**For the Year Ended June 30, 2015**

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	Budgeted Amounts			Over (Under) Budget
	Original	Final	Actual	
<b>Other Financing Uses</b>				
Transfers out	-	(40,795)	(29,446)	(11,349)
Net change in fund balance	281,790	34,595	61,253	3,960
Fund balance - beginning	112,268	112,268	112,268	-
Fund balance - ending	\$ 394,058	\$ 146,863	\$ 173,521	\$ 3,960