

W-A-Y Academy

Year Ended
June 30, 2018

Financial
Statements

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W-A-Y Academy

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INDEPENDENT AUDITORS' REPORT

October 16, 2018

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, the major fund, and the aggregate remaining fund information of W-A-Y Academy (the "Academy"), as of and for the year ended June 30, 2018, 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.

Independent 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of W-A-Y Academy as of June 30, 2018, and the respective changes in financial position thereof and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed 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 16, 2018 on our consideration of the 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 the Academy's internal control over financial reporting and compliance.

The image shows a handwritten signature in black ink that reads "Lehman Lobson LLC". The signature is written in a cursive, flowing style.

MANAGEMENT'S DISCUSSION AND ANALYSIS

W-A-Y Academy

Management's Discussion and Analysis

As management of W-A-Y Academy (the "Academy"), we offer readers of the Academy's financial statements this narrative overview and analysis of the financial activities of the Academy for the fiscal year that ended June 30, 2018.

Financial Highlights

· Total net position	\$	297,157
· Change in total net position		6,347
· Unassigned fund balance, general fund		242,660
· Change in fund balance, general fund		1,634

Overview of the Financial Statements

The discussion and analysis are intended to serve as an introduction to the Academy's basic financial statements. The Academy's basic financial statements comprise three components: 1) Government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the Academy's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the Academy's assets and liabilities with the residual balance reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Academy is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, if any.

Both of the government-wide financial statements distinguish functions of the Academy that are principally supported by intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Academy include instruction, support services, community services and food service. The Academy has no business-type activities for the year.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Academy, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Academy can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

The Academy adopts an annual appropriated budget for its general and special revenue funds. A budgetary comparison statement has been provided for the general fund herein to demonstrate compliance with that budget.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Academy's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

W-A-Y Academy

Management's Discussion and Analysis

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-wide Financial Analysis

As noted previously, net position may serve over time as a useful indicator of a government's financial position. In the case of the Academy, assets exceeded liabilities by \$297,157 at the close of the most recent fiscal year.

	Net Position	
	2018	2017
Assets (all current)	\$ 682,976	\$ 934,811
Liabilities (all current)	385,819	644,001
Net position		
Restricted	6,378	1,665
Unrestricted	290,779	289,145
Total net position	\$ 297,157	\$ 290,810

\$6,378 of the Academy's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance is unrestricted net position.

The results of this year's operation for the Academy as a whole are reported in the statement of activities, which shows the changes in net position for the fiscal year 2018 compared to the changes in net position for fiscal year 2017.

	Change in Net Position	
	2018	2017
Revenue		
Program revenue -		
Operating grants and contributions	\$ 1,658,512	\$ 1,076,546
General revenue:		
Grants and contributions not restricted for specific purposes	1,966,525	2,815,593
Other	8,658	20,872
Total revenue	3,633,695	3,913,011
Expenses		
Instruction	1,609,035	1,863,484
Support services	1,969,018	2,181,661
Community services	13,057	53,925
Food service	36,238	25,257
Total expenses	3,627,348	4,124,327
Change in net position	6,347	(211,316)
Net position, beginning of year	290,810	502,126
Net position, end of year	\$ 297,157	\$ 290,810

W-A-Y Academy

Management's Discussion and Analysis

Governmental Activities. Governmental activities increased the Academy's net position by \$6,347. Key elements of this increase are as follows:

- W-A-Y Academy received a \$120 per pupil increase in State Funding for Fiscal Year 2017-2018. In addition, the Academy had increased Federal Carryover Funds to utilize in the 2017-2018 Academic Year.
- Due to a decrease in overall student enrollment (a reduction of 18 students), the Academy also adjusted staff to student ratios and did not fill staffing vacancies to more accurately match actual enrollment and need.

Financial Analysis of the Government's Funds

As noted earlier, the Academy uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds. The focus of the Academy's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Academy's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As noted above, at the end of the current fiscal year, the Academy's governmental funds reported combined ending fund balances of \$291,157, an increase of \$6,347 in comparison with the prior year. Restricted fund balance includes \$6,378 for food service, while \$242,660 constitutes unassigned fund balance, which is available for spending at the Academy's discretion. The remainder of fund balance is nonspendable to indicate that is not available for new spending because the underlying assets are included in prepaid items.

The general fund is the chief operating fund of the Academy. At the end of the current fiscal year, unassigned fund balance of the general fund was \$242,660 while total fund balance was \$290,779. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. The unassigned and total fund balance represent approximately 6.8% and 8.1%, respectively, of total general fund expenditures.

The fund balance of the Academy's general fund increased by \$1,634 during the current fiscal year. Key elements of this increase are as follows:

- The Academy carefully monitored spending for the 2017-2018 school year, while at the same time planned for growth and expansion. Construction began on the leased East Campus location in Roseville, Michigan. This campus will have a vocational focus and open in the Fall of 2018.

General Fund Budgetary Highlights

Over the course of the year, the Academy revises its budget as it attempts to deal with changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was actually adopted just before year end. A statement showing the Academy's original and final budget amounts compared with amounts actually earned and expended is provided in these financial statements.

Differences between the original and final amended budgets related to updates in salaries and benefits costs and student count for the Academy. Once this additional information was known, subsequent budget amendments recognized the reduction in revenue and planned expenditures and the individual various Academy program budgets were adjusted accordingly. Actual revenues and expenditures were both less than the final amended budget amounts. The overall actual increase in fund balance was favorable to the Academy when compared to the budgeted amount. For the fiscal year 2017-2018, the budget was amended in September 2017, February 2018 and June 2018. The June 25, 2018 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.

W-A-Y Academy

Management's Discussion and Analysis

Factors Bearing on the Academy's Future

The following factors were also considered in preparing the Academy's budget for the 2018-19 fiscal year:

- Projected 2018-2019 increase of \$240 will bring the actual allowance to \$7,871 per pupil.
- Enrollment projections of 490 students in grades 7-12.
- Budgetary increases to accommodate increased rent costs and utility costs.
- The Academy will open the East Campus site in the Fall of 2018 in Roseville, Michigan. This campus will have a vocational focus with an emphasis on automotive skills and training.

Requests for Information

This financial report is designed to provide a general overview of the Academy's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Kelli Glenn, Director of Finance, 369 Main Street, Belleville, Michigan, 48111, telephone 313-444-9292.

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BASIC FINANCIAL STATEMENTS

W-A-Y Academy

Statement of Net Position

June 30, 2018

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 10,977
Due from other governments	653,880
Prepaid items	<u>18,119</u>
Total assets	<u>682,976</u>
Liabilities	
Accounts payable	216,347
Accrued liabilities	62,256
Unearned revenue	9,051
Short-term notes payable	<u>98,165</u>
Total liabilities	<u>385,819</u>
Net position	
Restricted for food service	6,378
Unrestricted	<u>290,779</u>
Total net position	<u><u>\$ 297,157</u></u>

The accompanying notes are an integral part of these financial statements.

W-A-Y Academy

Statement of Activities

For the Year Ended June 30, 2018

Functions / Programs	Expenses	Program Revenues	
		Operating Grants and Contributions	Net (Expense) Revenue
Governmental activities			
Instruction	\$ 1,609,035	\$ 873,090	\$ (735,945)
Support services	1,969,018	744,471	(1,224,547)
Community services	13,057	-	(13,057)
Food service	36,238	40,951	4,713
Total governmental activities	<u>\$ 3,627,348</u>	<u>\$ 1,658,512</u>	<u>(1,968,836)</u>
General revenues			
Grants and contributions not restricted for specific purposes			1,966,525
Other			8,658
Total general revenues			<u>1,975,183</u>
Change in net position			6,347
Net position, beginning of year			<u>290,810</u>
Net position, end of year			<u>\$ 297,157</u>

The accompanying notes are an integral part of these financial statements.

W-A-Y Academy

Balance Sheet

Governmental Funds
June 30, 2018

	General Fund	Nonmajor Food Service Fund	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 5,658	\$ 5,319	\$ 10,977
Due from other funds	888	-	888
Due from other governments	650,380	3,500	653,880
Prepaid items	18,119	-	18,119
Total assets	\$ 675,045	\$ 8,819	\$ 683,864
Liabilities			
Accounts payable	\$ 214,794	\$ 1,553	\$ 216,347
Accrued liabilities	62,256	-	62,256
Due to other funds	-	888	888
Unearned revenue	9,051	-	9,051
Short-term notes payable	98,165	-	98,165
Total liabilities	384,266	2,441	386,707
Fund balances			
Nonspendable for prepaids	18,119	-	18,119
Restricted for food service	-	6,378	6,378
Assigned for technology	30,000	-	30,000
Unassigned	242,660	-	242,660
Total fund balances	290,779	6,378	297,157
Total liabilities and fund balances	\$ 675,045	\$ 8,819	\$ 683,864

The accompanying notes are an integral part of these financial statements.

W-A-Y Academy

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2018

	General Fund	Nonmajor Food Service Fund	Total Governmental Funds
Revenues			
Local sources	\$ 21,552	\$ -	\$ 21,552
State sources	3,019,738	4,160	3,023,898
Federal sources	551,454	36,791	588,245
Total revenues	3,592,744	40,951	3,633,695
Expenditures			
Instruction:			
Basic programs	1,195,255	-	1,195,255
Added needs	413,780	-	413,780
Total instruction	1,609,035	-	1,609,035
Support services:			
Pupil	186,112	-	186,112
Instructional services	169,937	-	169,937
General administration	400,912	-	400,912
School administration	198,861	-	198,861
Business	149,836	-	149,836
Operations and maintenance	520,969	-	520,969
Transportation	3,140	-	3,140
Central	339,251	-	339,251
Total support services	1,969,018	-	1,969,018
Community services	13,057	-	13,057
Food service	-	36,238	36,238
Total expenditures	3,591,110	36,238	3,627,348
Net change in fund balances	1,634	4,713	6,347
Fund balances, beginning of year	289,145	1,665	290,810
Fund balances, end of year	\$ 290,779	\$ 6,378	\$ 297,157

The accompanying notes are an integral part of these financial statements.

W-A-Y Academy

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - General Fund
For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Local sources	\$ 30,513	\$ 22,225	\$ 21,552	\$ (673)
State sources	4,933,986	3,019,836	3,019,738	(98)
Federal sources	771,197	691,707	551,454	(140,253)
Total revenues	5,735,696	3,733,768	3,592,744	(141,024)
Expenditures				
Instruction:				
Basic programs	2,309,698	1,193,461	1,195,255	1,794
Added needs	802,210	528,868	413,780	(115,088)
Total instruction	3,111,908	1,722,329	1,609,035	(113,294)
Support services:				
Pupil	176,864	234,673	186,112	(48,561)
Instructional services	208,735	172,075	169,937	(2,138)
General administration	523,040	385,931	400,912	14,981
School administration	398,500	195,446	198,861	3,415
Business	171,490	135,321	149,836	14,515
Operations and maintenance	613,156	526,399	520,969	(5,430)
Transportation	2,200	3,950	3,140	(810)
Central	531,648	343,390	339,251	(4,139)
Total support services	2,625,633	1,997,185	1,969,018	(28,167)
Community services	-	13,754	13,057	(697)
Total expenditures	5,737,541	3,733,268	3,591,110	(142,158)
Revenues over (under) expenditures	(1,845)	500	1,634	1,134
Other financing uses				
Transfers out	(22,433)	-	-	-
Net change in fund balances	(24,278)	500	1,634	1,134
Fund balances, beginning of year	289,145	289,145	289,145	-
Fund balances, end of year	\$ 264,867	\$ 289,645	\$ 290,779	\$ 1,134

The accompanying notes are an integral part of these financial statements.

W-A-Y Academy

Statement of Fiduciary Assets and Liabilities

June 30, 2018

	Agency Fund
Assets	
Cash and cash equivalents	\$ 1,406
Liabilities	
Due to student groups	\$ 1,406

The accompanying notes are an integral part of these financial statements.

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NOTES TO FINANCIAL STATEMENTS

W-A-Y Academy

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

W-A-Y Academy (the "Academy") has followed the guidelines of the Governmental Accounting Standards Board and has determined that no entities should be consolidated into its basic financial statements as component units. Therefore, the reporting entity consists of the primary government financial statements only. The criteria for including a component unit include significant operational or financial relationships with the Academy.

The Academy was formed as a charter school academy pursuant to the Michigan School Code of 1976, as amended by Act No. 362 of the Public Acts of 1993 and Act No. 416 of the Public Acts of 1994.

On June 21, 2012, the Academy entered into a five-year contract with Lake Superior State University (LSSU) to charter a public school academy through June 30, 2017. On July 1, 2017, the contract with LSSU was extended to June 30, 2022. The contract requires the Academy to act exclusively as a governmental agency and not undertake any action inconsistent with its status as an entity authorized to receive state school aid funds pursuant to the State Constitution. LSSU is the fiscal agent for the Academy and is responsible for overseeing the Academy's compliance with the contract and all applicable laws. The Academy pays LSSU three percent of the state aid foundation as administrative fees. The total administrative fees for the year paid to LSSU was approximately \$91,000.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The Academy had no business-type activities during the year.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *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 or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting* as are the fiduciary fund financial statements, except for the agency funds, which do not have a measurement focus. 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.

W-A-Y Academy

Notes to Financial Statements

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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period or one year for expenditure-driven grants. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

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 revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Academy reports the following major governmental fund:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those accounted for and reported in another fund.

Additionally, the Academy reports the following fund types:

The *special revenue fund* is used to account and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects.

The *agency fund* accounts for assets held for other groups and organizations and is custodial in nature.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues.

The effect of interfund activity has been eliminated from the government-wide financial statements.

Assets, Liabilities and Equity

Deposits and Investments

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.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non current portion of interfund loans).

Accounts payable and other payables reflected in the financial statements are based on when the liability is incurred.

W-A-Y Academy

Notes to Financial Statements

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Fund Balances

Governmental funds report nonspendable fund balance for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Restricted fund balance is reported when externally imposed constraints are placed on the use of the resources by grantors, contributors, or laws or regulations of other governments. Committed fund balance is reported for amounts that can be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority, the Board of Directors. A formal resolution of the Board of Directors is required to establish, modify or rescind a fund balance commitment. If applicable, the Academy reports assigned fund balance for amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. Unassigned fund balance is the residual classification for the general fund.

When the Academy incurs an expenditure for purposes for which various fund balance classifications can be used, it is the Academy's policy to use restricted fund balance first, then committed fund balance, assigned fund balance, and finally unassigned fund balance.

2. BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general and special revenue funds. All annual appropriations lapse at fiscal year end.

The general and special revenue funds are under formal budgetary control. Budgets shown in the financial statements are adopted on a basis consistent with generally accepted accounting principles (GAAP), and are not significantly different from the modified accrual basis used to reflect actual results, and consist only of those amounts contained in the formal budget as originally adopted or as amended by the Board of Directors. The budgets for the general and special revenue funds are adopted on a functional basis.

3. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

P.A. 621 of 1978, as amended, provides that a government shall not incur expenditures in excess of the amount appropriated. The approved budgets of the Academy were adopted on a detailed functional level basis.

During the year ended June 30, 2018, the Academy incurred expenditures in excess of the amounts appropriated at the legal level of budgetary control as follows:

	Final Budget	Actual	Variance
General fund			
Instruction -			
Basic programs	\$ 1,193,461	\$ 1,195,255	\$ 1,794
Support services:			
General administration	385,931	400,912	14,981
School administration	195,446	198,861	3,415
Business	135,321	149,836	14,515

W-A-Y Academy

Notes to Financial Statements

4. DEPOSITS AND INVESTMENTS

A reconciliation of cash and cash equivalents as shown on the Statement of Net Position and Statement of Fiduciary Assets and Liabilities follows:

Statement of Net Position	
Cash and cash equivalents	\$ 10,977
Statement of Fiduciary Assets and Liabilities	
Cash and cash equivalents	<u>1,406</u>
Total	<u><u>\$ 12,383</u></u>
Deposits	
Bank deposits -	
Checking and savings accounts	<u><u>\$ 12,383</u></u>

Statutory Authority

State statutes authorize the Academy to deposit and invest in:

- a. Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State. In a primary or fourth class school District, the bonds, bills, or notes shall be payable at the option of the holder upon not more than 90 days notice or, if not so payable, shall have maturity dates not more than 5 years after the purchase dates.
- b. Certificates of deposit insured by a State or national bank, savings accounts of a state or federal savings and loan association, or certificates of deposit or share certificates of a state or federal credit union organized and authorized to operate in this State.
- c. Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
- d. Securities issued or guaranteed by agencies or instrumentalities of the United States government or federal agency obligation repurchase agreements, and bankers' acceptance issued by a bank that is a member of the federal deposit insurance corporation.
- e. Mutual funds composed entirely of investment vehicles that are legal for direct investment by a school District.
- f. Investment pools, as authorized by the surplus funds investment pool act, composed entirely of instruments that are legal for direct investment by a school District.

The Academy's investment policy allows for all of these types of investments.

Investment and Deposit Risk

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in list of authorized investments above. The Academy's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Academy had no investments at year end.

W-A-Y Academy

Notes to Financial Statements

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments above. The Academy’s investment policy does not have specific limits in excess of state law on investment credit risk. The Academy had no investments at year end.

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Academy’s deposits may not be returned. State law does not require and the Academy does not have a policy for deposit custodial credit risk. As of year end, the Academy had a bank balance of \$9,490 which was entirely covered by federal depository insurance.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments above. The Academy’s investment policy does not have specific limits in excess of state law on concentration of credit risk. The Academy had no investments at year end.

5. INTERFUND RECEIVABLES AND PAYABLES

At June 30, 2018, interfund receivables and payables consisted of the following:

	Due from Other Funds	Due to Other Funds
General fund	\$ 888	\$ -
Nonmajor Food Service	-	888
	<u>\$ 888</u>	<u>\$ 888</u>

The Academy often reports interfund balances between many of its funds. These interfund balances result primarily 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 system, and (3) payments between funds are made.

6. SHORT-TERM NOTES PAYABLE

At year end, the Academy has a short-term state aid anticipation note outstanding of \$98,165 plus accrued interest of \$3,392, both of which are recorded as liabilities in the general fund. The note carries an interest rate of 4.465% and is due August 20, 2018.

Short-term debt activity for the year ended June 30, 2018, was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance
State aid note	<u>\$ 118,510</u>	<u>\$ 98,165</u>	<u>\$ 118,510</u>	<u>\$ 98,165</u>

W-A-Y Academy

Notes to Financial Statements

7. OPERATING LEASES

The Academy leases space for its buildings under non-cancelable operating leases. Total costs for such leases were \$332,379 for the year. The future minimum lease payments for these leases are as follows:

Year Ended June 30,	Amount
2019	\$ 167,232
2020	167,232
2021	83,232
2022	83,232
	<u>\$ 500,928</u>

8. CONTINGENCIES

Under the terms of various Federal and State grants and regulatory requirements, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants and requirements. Such audits could lead to reimbursement of the grantor or regulatory agencies. However, management does not believe such disallowances, if any, would be material to the financial position of the Academy.

9. MANAGEMENT COMPANY

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

For the terms 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. As part of the agreement, W-A-Y Program pays an amount equal to three percent of state per pupil aid to the Academy Board to be used at the discretion of the Board.

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 other administrative fee expenses paid to W-A-Y Program for the year ended June 30, 2018 were \$2,705,086.

10. SUBSEQUENT EVENTS

State Aid Anticipation Notes

On September 6, 2018, the Academy borrowed \$761,000 in State Aid Anticipation Notes. The notes bear interest at a rate of 6.5% and are due through August 20, 2019.



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**INDEPENDENT AUDITORS' 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***

October 16, 2018

Board of Directors
W-A-Y Academy
Detroit, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of *W-A-Y Academy* (the "Academy"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements, and have issued our report thereon dated October 16, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 the 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 Academy'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.

Rehmann Loborn LLC