

**W-A-Y Academy**

**Financial Statements**

**June 30, 2017**



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**W-A-Y Academy**  
**Members of the Board of Directors and Administration**  
**June 30, 2017**

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**Members of the Board of Directors**

Michael Murray	President
Renee Torres	Treasurer
Dr. Glenn Croxton	Vice-President
Jacquelyn Naylor	Secretary
Brenda Bell	Member
Sheila Flanagan	Member

**Administration**

Jennifer Hernandez	Superintendent
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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, 2017, 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, 2017, 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 10, 2017, 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 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 W-A-Y 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 W-A-Y Academy's internal control over financial reporting and compliance.

*Yeo & Yeo, P.C.*

Flint, Michigan  
October 10, 2017

## 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, 2017

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, 2017.

### 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, 2017

#### 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, 2017:

<b><u>Assets</u></b>	
Cash	\$ 16,448
Accounts Receivable	4,155
Due from other governmental units	908,065
Prepaid items	<u>6,143</u>
<b>Total assets</b>	<b>934,811</b>
<b><u>Liabilities</u></b>	
Accounts payable	362,625
State aid note payable	118,510
Accrued expenditures	151,125
Unearned revenue	<u>11,741</u>
<b>Total liabilities</b>	<b><u>644,001</u></b>
<b>Net position</b>	<b><u><u>\$ 290,810</u></u></b>

## W-A-Y Academy

### Management's Discussion and Analysis For Fiscal Year Ended June 30, 2017

The change in net position is summarized as follows:

2016-2017 was W-A-Y Academy's fifth year of operation. Enrollment decreased slightly by 37 students over the prior school year for a total enrollment of 385 for the fiscal year. The Academy is projecting enrollment stability between the two sites for next year and is opening a third campus site in Roseville, Michigan.

	<u>Expenses</u>	<u>Program Revenues</u> Operating Grants and Contributions	<u>Net (Expense) Revenue and Changes in Net Position</u>
<b>Functions/Programs</b>			
Governmental activities			
Instruction	\$ 1,863,484	\$ 1,120,028	\$ (743,456)
Supporting services	2,181,661	(92,200)	(2,273,861)
Food services	53,925	48,718	(5,207)
Community services	<u>25,257</u>	<u>-</u>	<u>(25,257)</u>
Total governmental activities	<u>\$4,124,327</u>	<u>\$ 1,076,546</u>	<u>(3,047,781)</u>
General revenues			
State aid - unrestricted			2,815,593
Other			<u>20,872</u>
Change in net position			(211,316)
Net position - beginning			<u>502,126</u>
Net position - ending			<u>\$ 290,810</u>

## W-A-Y Academy

### Management's Discussion and Analysis For Fiscal Year Ended June 30, 2017

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

Factors affecting the change in net position during the year are discussed below: 2016-2017 was the fifth year of operation for W-A-Y Academy. Overall growth of the academy regarding student enrollment decreased 8.8% 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. Despite reduced enrollment, the Academy increased the general fund balance by \$37,696 or approximately 15%.

**A. Results of Operations:** For the fiscal year ended June 30, 2017, the results of the Academy's operations were:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Local sources	\$ 24,278	\$ -	\$ 24,278
State sources	3,210,842	3,084	3,213,926
Federal sources	872,978	45,634	918,612
Total revenues	4,108,098	48,718	4,156,816
<b>Expenditures</b>			
Current			
Education			
Instruction	1,863,484	-	1,863,484
Supporting services	2,181,661	-	2,181,661
Food services	-	53,925	53,925
Community services	25,257	-	25,257
Total expenditures	4,070,402	53,925	4,124,327
Excess (deficiency) of revenues over expenditures	37,696	(5,207)	32,489
Net change in fund balance	37,696	(5,207)	32,489
Fund balance - beginning	251,449	6,872	258,321
Fund balance - ending	\$ 289,145	\$ 1,665	\$ 290,810

# W-A-Y Academy

## Management's Discussion and Analysis For Fiscal Year Ended June 30, 2017

### 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 \$7,511 per pupil.
- Student Enrollment: The Academy's student enrollment for the fall count of 2016-17 was 385 students. Enrollment decreased slightly to 317 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 previous February count is multiplied by the Academy's foundation allowance.

Subsequent to year-end June 30, 2017, preliminary student enrollments for 2017 - 2018 indicate that the 2017 fall student enrollment will remain stable. The expected increase in enrollment is due to minor growth at the second location on Chicago Avenue in West Detroit and enrollment at the newly opened Roseville site.

### C. General Fund Budgetary Highlights

#### General Fund Operations

The Academy's revenues from General Fund operations exceeded expenditures by \$37,696 for the fiscal year ended June 30, 2017.

#### Final Budget vs. Actual

<u>Fiscal Year</u>	<u>Final Budget</u>	<u>Final Actual</u>
Revenues		
2016-2017	\$ 4,383,743	\$ 4,108,098
2017-2018 (projected)	5,735,696	
Expenditures		
2016-2017	\$ 4,365,475	\$ 4,070,402
2017-2018 (projected)	5,759,974	

# W-A-Y Academy

## Management's Discussion and Analysis For Fiscal Year Ended June 30, 2017

### 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 2016-2017, the budget was amended in June 2017. The June 19, 2017 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	\$ 4,091,478
Total Revenues Final Budget	<u>4,383,743</u>
Increase in Budgeted Revenues	\$ <u>292,265</u>

The Academy's final general fund revenues were less than the final budget by \$275,645 a variance of 6.28%. This variance was primarily a result of unspent federal revenue allocated but not utilized within the fiscal year. Those allocations are available through September 30 and it is anticipated that a majority of these unspent and delayed 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.

## W-A-Y Academy

### Management's Discussion and Analysis For Fiscal Year Ended June 30, 2017

#### Expenditures:

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

Total Expenditures Original Budget	\$ 4,086,337
Total Expenditures Final Budget	<u>4,365,475</u>
Increase in Budgeted Expenditures	\$ <u>276,138</u>

The Academy's actual expenditures were less than final budget by \$ 295,073 a variance of 6.76%. These cost savings were primarily a result of unspent federal allocations by fiscal year end. Again, those allocations are available through September 30 and it is anticipated that a majority of these unspent and delayed allocations at June 30 will be used before the end of the grant period.

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 2017-18 fiscal year was adopted by the Board of Education on June 19, 2017. 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 2017-18 budget preparation process include:

- Projected 2016-2017 increase of \$120 will bring the actual allowance to \$7,631 per pupil.
- Open third campus site in Roseville, MI with a career and job skill focus.
- Enrollment projections of 570 students in grades 7-12:
- Moderate changes in staffing to accommodate projected salaries.
- 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.

## **W-A-Y Academy**

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### **Management's Discussion and Analysis For Fiscal Year Ended June 30, 2017**

#### **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

**W-A-Y Academy**  
**Statement of Net Position**  
**June 30, 2017**

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	<u>Governmental Activities</u>
<b>Assets</b>	
Cash	\$ 16,448
Accounts receivable	4,155
Due from other governmental units	908,065
Prepaid items	<u>6,143</u>
Total assets	<u>934,811</u>
<b>Liabilities</b>	
Accounts payable	362,625
State aid anticipation note payable	118,510
Accrued expenditures	151,125
Unearned revenue	<u>11,741</u>
Total liabilities	<u>644,001</u>
<b>Net Position</b>	
Restricted for	
Food service	1,665
Unrestricted	<u>289,145</u>
Total net position	<u>\$ 290,810</u>

See Accompanying Notes to the Financial Statements

**W-A-Y Academy**  
**Statement of Activities**  
**For the Year Ended June 30, 2017**

	Expenses	Program Revenues Operating Grants and Contributions		Net (Expense) Revenue and Changes in Net Position
<b>Functions/Programs</b>				
Governmental activities				
Instruction	\$ 1,863,484	\$ 1,120,028	\$	(743,456)
Supporting services	2,181,661	(92,200)		(2,273,861)
Food services	53,925	48,718		(5,207)
Community services	25,257	-		(25,257)
Total governmental activities	\$ 4,124,327	\$ 1,076,546		(3,047,781)
		General revenues		
		State aid - unrestricted		2,815,593
		Other		20,872
		Total general revenues		2,836,465
		Change in net position		(211,316)
		Net position - beginning		502,126
		Net position - ending	\$	290,810

See Accompanying Notes to the Financial Statements

**W-A-Y Academy**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2017**

	General Fund	Nonmajor Fund Food Service Fund	Total Governmental Funds
<b>Assets</b>			
Cash	\$ 4,602	\$ 11,846	\$ 16,448
Accounts receivable	4,155	-	4,155
Due from other funds	10,079	-	10,079
Due from other governmental units	893,518	14,547	908,065
Prepaid items	6,143	-	6,143
Total assets	<u>\$ 918,497</u>	<u>\$ 26,393</u>	<u>\$ 944,890</u>
<b>Liabilities</b>			
Accounts payable	\$ 347,976	\$ 14,649	\$ 362,625
State aid anticipation note payable	118,510	-	118,510
Due to other funds	-	10,079	10,079
Accrued expenditures	151,125	-	151,125
Unearned revenue	11,741	-	11,741
Total liabilities	<u>629,352</u>	<u>24,728</u>	<u>654,080</u>
<b>Fund Balance</b>			
Non-spendable			
Prepaid items	6,143	-	6,143
Restricted for:			
Food service	-	1,665	1,665
Assigned for technology	30,000	-	30,000
Assigned for 2017-18 Budget	24,278	-	24,278
Assigned for Board of Directors discretion	228,724	-	228,724
Total fund balance	<u>289,145</u>	<u>1,665</u>	<u>290,810</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 918,497</u>	<u>\$ 26,393</u>	<u>\$ 944,890</u>

See Accompanying Notes to the Financial Statements

**W-A-Y Academy**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2017**

	General Fund	Nonmajor Fund Food Service Fund	Total Governmental Funds
<b>Revenues</b>			
Local sources	\$ 24,278	\$ -	\$ 24,278
State sources	3,210,842	3,084	3,213,926
Federal sources	872,978	45,634	918,612
Total revenues	<u>4,108,098</u>	<u>48,718</u>	<u>4,156,816</u>
<b>Expenditures</b>			
Current			
Education			
Instruction	1,863,484	-	1,863,484
Supporting services	2,181,661	-	2,181,661
Food services	-	53,925	53,925
Community services	25,257	-	25,257
Total expenditures	<u>4,070,402</u>	<u>53,925</u>	<u>4,124,327</u>
Net change in fund balance	37,696	(5,207)	32,489
Fund balance - beginning	<u>251,449</u>	<u>6,872</u>	<u>258,321</u>
Fund balance - ending	<u>\$ 289,145</u>	<u>\$ 1,665</u>	<u>\$ 290,810</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, 2017**

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<b>Net change in fund balances - Total governmental funds</b>	\$ 32,489
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	<u>(243,805)</u>
<b>Change in net position of governmental activities</b>	<u>\$ (211,316)</u>

See Accompanying Notes to the Financial Statements

**W-A-Y Academy**  
**Fiduciary Funds**  
**Statement of Assets and Liabilities**  
**June 30, 2017**

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	<u>Agency Funds</u>
<b>Assets</b>	
Cash	\$ <u>1,406</u>
<b>Liabilities</b>	
Due to agency fund activities	\$ <u>1,406</u>

See Accompanying Notes to the Financial Statements

**W-A-Y Academy**  
**Notes to the Financial Statements**  
**June 30, 2017**

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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 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 26, 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. 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 to LSSU was approximately \$ 96,000. On July 1, 2017, the contract with Lake Superior State University was extended to June 30, 2022.

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.

**W-A-Y Academy**  
**Notes to the Financial Statements**  
**June 30, 2017**

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**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 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.

**W-A-Y Academy**  
**Notes to the Financial Statements**  
**June 30, 2017**

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.

**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**

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

<u>Function</u>	<u>Final Budget</u>	<u>Amount of Expenditures</u>	<u>Budget Variances</u>
General Fund			
General administration	\$ 568,646	\$ 659,281	\$ 90,635
Operations and maintenance	394,105	398,997	4,892

**Note 3 - Deposits And Investments**

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

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>
Cash	\$ 16,448	\$ 1,406	\$ 17,854

The cash consisted of checking and savings deposits.

**W-A-Y Academy**  
**Notes to the Financial Statements**  
**June 30, 2017**

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.

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 \$ 14,836 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</u> <u>Balance</u>	<u>Proceeds</u>	<u>Repayments</u>	<u>Ending</u> <u>Balance</u>
State aid anticipation note	\$ 131,030	\$ 662,000	\$ 674,520	\$ 118,510

The State aid anticipation note agreement bears interest at 4.25% and includes an irrevocable set-aside of \$ 543,490 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>\$ 10,079</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.

**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 balance of unearned revenue consisted of \$ 11,741 of grant and categorical aid payments received prior to meeting all eligibility requirements.

**W-A-Y Academy**  
**Notes to the Financial Statements**  
**June 30, 2017**

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**Note 7 - Leases**

**Operating Leases**

The School District leases space for its academy buildings under non-cancelable operating leases. Total costs for such leases were \$ 212,000 for the year. The future minimum lease payments for these leases are as follows:

Year ending June 30,	
2018	\$ 247,773
2019	83,232
2020	83,232
2021	83,232
2022	<u>83,232</u>
 Total	 <u>\$ 580,701</u>

In addition, the Academy must pay monthly common area maintenance costs, including property taxes and insurance premiums.

**Note 8 - 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.

**Note 9 - Management Company**

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

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, 2017 was approximately \$ 3,100,000.

The Academy also subleases space for the Roseville Academy building from W-A-Y Program. Minimum lease payments for the sublease of \$7,000 are due monthly until June 30, 2020. In addition, the Academy must pay monthly common area maintenance costs, including property taxes and insurance premiums. 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 \$ 459,000 at June 30, 2017, which is expected to be liquidated by the future collections of the amounts recorded as due from other governments. At June 30, 2017 the Academy had approximately \$894,000 of due from other governments to offset the liability.

**W-A-Y Academy**  
**Notes to the Financial Statements**  
**June 30, 2017**

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**Note 10 - Federal Revenue**

Federal revenue is reported in the basic financial statements in excess of \$ 750,000. However, this is a result of following the revenue recognition 60-day requirement when recording revenue, and the School District did not have federal expenditures of \$ 750,000 or more and therefore does not require an audit under CFR Part 200.

## 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, 2017**

	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
<b>Revenues</b>				
Local sources	\$ 29,621	\$ 24,045	\$ 24,278	\$ 233
State sources	3,476,947	3,206,103	3,210,842	4,739
Federal sources	584,910	1,153,595	872,978	(280,617)
<b>Total revenues</b>	<b>4,091,478</b>	<b>4,383,743</b>	<b>4,108,098</b>	<b>(275,645)</b>
<b>Expenditures</b>				
Instruction				
Basic programs	1,828,909	1,442,884	1,381,325	(61,559)
Added needs	610,909	695,148	482,159	(212,989)
Supporting services				
Pupil	168,200	258,332	220,473	(37,859)
Instructional staff	147,065	208,928	185,852	(23,076)
General administration	321,700	568,646	659,281	90,635
School administration	255,915	256,883	248,717	(8,166)
Business	55,808	140,216	134,299	(5,917)
Operations and maintenance	394,049	394,105	398,997	4,892
Pupil transportation services	1,650	6,595	2,635	(3,960)
Central	302,132	356,400	331,407	(24,993)
Community services	-	37,338	25,257	(12,081)
<b>Total expenditures</b>	<b>4,086,337</b>	<b>4,365,475</b>	<b>4,070,402</b>	<b>(295,073)</b>
<b>Excess of revenues over expenditures</b>	<b>5,141</b>	<b>18,268</b>	<b>37,696</b>	<b>19,428</b>

**W-A-Y Academy**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule - General Fund**  
**For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
<b>Other Financing Uses</b>				
Transfers out	(503)	-	-	-
Net change in fund balance	4,638	18,268	37,696	19,428
Fund balance - beginning	251,449	251,449	251,449	-
Fund balance - ending	<u>\$ 256,087</u>	<u>\$ 269,717</u>	<u>\$ 289,145</u>	<u>\$ 19,428</u>

## OTHER INFORMATION

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## **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**

### **Independent Auditors' Report**

Management and the Board of Directors  
W-A-Y Academy

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of W-A-Y Academy as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise W-A-Y Academy's basic financial statements, and have issued our report thereon dated October 10, 2017.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered W-A-Y 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of W-A-Y Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of W-A-Y 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 W-A-Y 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.

*Yeo & Yeo, P.C.*

Flint, MI  
October 10, 2017