

W-A-Y Academy

Year Ended
June 30, 2021

Financial
Statements and
Single Audit Act
Compliance

Rehmann

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W-A-Y Academy

Table of Contents

| | <u>Page</u> |
|--|-------------|
| Independent Auditors' Report | 1 |
| Management's Discussion and Analysis | 5 |
| Basic Financial Statements | |
| Government-wide Financial Statements: | |
| Statement of Net Position | 12 |
| Statement of Activities | 13 |
| Fund Financial Statements: | |
| Balance Sheet – Governmental Funds | 14 |
| Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds | 15 |
| Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual - General Fund | 16 |
| Notes to Financial Statements | 17 |
| Combining Fund Financial Statements | |
| Combining Balance Sheet – Nonmajor Governmental Funds | 28 |
| Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds | 29 |
| Internal Control and Compliance | |
| 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 <i>Government Auditing Standards</i> | 33 |
| Schedule of Expenditures of Federal Awards | 36 |
| Notes to Schedule of Expenditures of Federal Awards | 40 |
| 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 <i>Government Auditing Standards</i> | 41 |
| Independent Auditors' Report on Compliance For Each Major Federal Program and on Internal Control over Compliance Required By the Uniform Guidance | 43 |
| Schedule of Finding and Questioned Costs | 47 |
| Schedule of Findings and Responses | 52 |



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INDEPENDENT AUDITORS' REPORT

November 1, 2021

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, 2021, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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.

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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, 2021, 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.

Implementation of GASB Statement No. 84

As described in Note 11, the Academy implemented the provisions of GASB Statement No. 84, *Fiduciary Activities*, in the current year. Accordingly, beginning net position of governmental activities and the beginning fund balance of the student/school activity nonmajor special revenue fund were restated. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Academy’s basic financial statements. The combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2021, 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.

A handwritten signature in black ink that reads "Lehmann Lobson LLC". The signature is written in a cursive, flowing style.

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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, 2021.

Financial Highlights

| | |
|---|------------|
| · Total net position | \$ 664,862 |
| · Change in total net position | 282,869 |
| · Unassigned fund balance, general fund | 604,544 |
| · Change in fund balance, general fund | 282,341 |

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 had no business-type activities for the year.

W-A-Y Academy

Management's Discussion and Analysis

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 are governmental 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.

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 \$664,862 at the close of the most recent fiscal year.

| | Net Position | |
|----------------------------------|--------------|------------|
| | 2021 | 2020 |
| Assets (all current) | \$ 1,163,899 | \$ 938,026 |
| Liabilities (all current) | 499,037 | 557,204 |
| Net position | | |
| Restricted | 11,334 | 10,806 |
| Unrestricted | 653,528 | 370,016 |
| Total net position | \$ 664,862 | \$ 380,822 |

\$11,334 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.

W-A-Y Academy

Management's Discussion and Analysis

The results of this year's operations for the Academy as a whole are reported in the statement of activities, which shows the changes in net position for the fiscal year 2021 compared to the changes in net position for fiscal year 2020.

| | Change in Net Position | |
|--|------------------------|-------------------|
| | 2021 | 2020 |
| Revenues | | |
| Program revenues - | | |
| Operating grants and contributions | \$ 1,296,369 | \$ 798,160 |
| General revenues: | | |
| Grants and contributions not restricted for specific purposes | 2,420,624 | 2,454,289 |
| Other | 5,518 | 20,053 |
| Total revenues | <u>3,722,511</u> | <u>3,272,502</u> |
| Expenses | | |
| Instruction | 1,922,627 | 1,513,699 |
| Support services | 1,477,186 | 1,682,721 |
| Community services | 8,405 | 6,977 |
| Food service | 31,424 | 32,418 |
| Total expenses | <u>3,439,642</u> | <u>3,235,815</u> |
| Change in net position | 282,869 | 36,687 |
| Net position, beginning of year | 380,822 | 344,135 |
| Restatement for implementation of GASB 84 | 1,171 | - |
| Net position, end of year | <u>\$ 664,862</u> | <u>\$ 380,822</u> |

Governmental Activities. Governmental activities increased the Academy's net position by \$282,869. Key elements of this increase are as follows:

- The W-A-Y Academy received additional COVID-19 funding grants and experienced higher pupil counts during the year, which led to a increase in operating grants and contributions revenue. Grants and contributions not restricted for specific purposes decreased slightly primarily due to a decrease in PSA protected 22b funding.
- There were significant staffing shortages throughout the year based on both unfilled positions and several staff taking unpaid leave. This resulted in unexpected salary savings for the Academy. These savings were offset by additional overall costs for instruction due to increased student count leading to higher overall instructional costs.

W-A-Y Academy

Management's Discussion and Analysis

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 \$664,862, an increase of \$282,869 in comparison with the prior year. Restricted fund balance includes \$11,334 for food service, committed fund balance includes \$1,171 for student/school activities, and unassigned fund balance includes \$604,544 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 \$604,544 while total fund balance was \$652,357. 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 17.7% and 19.1%, respectively, of total general fund expenditures.

The fund balance of the Academy's general fund increased by \$282,341 during the current fiscal year. Key elements of this increase are as follows:

- W-A-Y Academy received increased funding of \$240 per pupil from the prior year from both State Aid and COVID-19 grant funding along with higher pupil counts. There were significant staffing shortages throughout the year based on both unfilled positions and several staff taking unpaid leave.

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.

W-A-Y Academy

Management's Discussion and Analysis

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 increase 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 original budgeted amount, and closely approximated the final amended budget. The June 28, 2021 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.

Factors Bearing on the Academy's Future

The following factors were considered in preparing the Academy's budget for the 2021-22 fiscal year:

- Projected 2021-2022 increase in per pupil allowance.
- Increased enrollment projections.
- Budgetary expenditure increases to accommodate student learning and services offered.
- Increases in state and federal revenue sources from Covid-19 grants and costs associated with multitiered learning working through covid protocols.

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 the Director of Finance, 379 Main Street, Belleville, Michigan, 48111, telephone 313-574-2557.

BASIC FINANCIAL STATEMENTS

W-A-Y Academy

Statement of Net Position

June 30, 2021

| | Governmental Activities |
|-----------------------------|------------------------------------|
| Assets | |
| Cash and cash equivalents | \$ 479,351 |
| Due from other governments | 636,735 |
| Prepaid items | <u>47,813</u> |
| Total assets | <u>1,163,899</u> |
| Liabilities | |
| Accounts payable | 348,512 |
| Accrued liabilities | 31,797 |
| Unearned revenue | 48,887 |
| Short-term notes payable | <u>69,841</u> |
| Total liabilities | <u>499,037</u> |
| Net position | |
| Restricted for food service | 11,334 |
| Unrestricted | <u>653,528</u> |
| Total net position | <u><u>\$ 664,862</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, 2021

| Functions / Programs | Expenses | Program Revenues | |
|---|---------------------|------------------------------------|-----------------------|
| | | Operating Grants and Contributions | Net (Expense) Revenue |
| Governmental activities | | | |
| Instruction | \$ 1,922,627 | \$ 1,221,087 | \$ (701,540) |
| Support services | 1,477,186 | 46,330 | (1,430,856) |
| Community services | 8,405 | - | (8,405) |
| Food service | 31,424 | 28,952 | (2,472) |
| Total governmental activities | <u>\$ 3,439,642</u> | <u>\$ 1,296,369</u> | <u>(2,143,273)</u> |
| General revenues | | | |
| Grants and contributions not restricted for specific purposes | | | 2,420,624 |
| Other | | | 5,518 |
| Total general revenues | | | <u>2,426,142</u> |
| Change in net position | | | 282,869 |
| Net position, beginning of year, as restated | | | <u>381,993</u> |
| Net position, end of year | | | <u>\$ 664,862</u> |

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

W-A-Y Academy

Balance Sheet

Governmental Funds

June 30, 2021

| | General Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|--|---------------------|-----------------------------------|--------------------------------|
| Assets | | | |
| Cash and cash equivalents | \$ 465,945 | \$ 13,406 | \$ 479,351 |
| Due from other funds | 597 | - | 597 |
| Due from other governments | 636,138 | 597 | 636,735 |
| Prepaid items | 47,813 | - | 47,813 |
| Total assets | \$ 1,150,493 | \$ 14,003 | \$ 1,164,496 |
| Liabilities | | | |
| Accounts payable | \$ 347,611 | \$ 901 | \$ 348,512 |
| Accrued liabilities | 31,797 | - | 31,797 |
| Due to other funds | - | 597 | 597 |
| Unearned revenue | 48,887 | - | 48,887 |
| Short-term notes payable | 69,841 | - | 69,841 |
| Total liabilities | 498,136 | 1,498 | 499,634 |
| Fund balances | | | |
| Nonspendable for prepaid items | 47,813 | - | 47,813 |
| Restricted for food service | - | 11,334 | 11,334 |
| Committed for student/school activities | - | 1,171 | 1,171 |
| Unassigned | 604,544 | - | 604,544 |
| Total fund balances | 652,357 | 12,505 | 664,862 |
| Total liabilities and fund balances | \$ 1,150,493 | \$ 14,003 | \$ 1,164,496 |

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, 2021

| | General Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|---|-------------------|-----------------------------------|--------------------------------|
| Revenues | | | |
| Local sources | \$ 51,848 | \$ - | \$ 51,848 |
| State sources | 2,768,949 | 1,908 | 2,770,857 |
| Federal sources | 872,762 | 27,044 | 899,806 |
| Total revenues | <u>3,693,559</u> | <u>28,952</u> | <u>3,722,511</u> |
| Expenditures | | | |
| Instruction: | | | |
| Basic programs | 1,473,885 | - | 1,473,885 |
| Added needs | 448,742 | - | 448,742 |
| Total instruction | <u>1,922,627</u> | <u>-</u> | <u>1,922,627</u> |
| Support services: | | | |
| Pupil | 108,354 | - | 108,354 |
| Instructional services | 152,741 | - | 152,741 |
| General administration | 311,334 | - | 311,334 |
| School administration | 173,428 | - | 173,428 |
| Business | 117,243 | - | 117,243 |
| Operations and maintenance | 391,737 | - | 391,737 |
| Central | 222,349 | - | 222,349 |
| Total support services | <u>1,477,186</u> | <u>-</u> | <u>1,477,186</u> |
| Community services | <u>8,405</u> | <u>-</u> | <u>8,405</u> |
| Food service | <u>-</u> | <u>31,424</u> | <u>31,424</u> |
| Total expenditures | <u>3,408,218</u> | <u>31,424</u> | <u>3,439,642</u> |
| Revenues over (under) expenditures | <u>285,341</u> | <u>(2,472)</u> | <u>282,869</u> |
| Other financing sources (uses) | | | |
| Transfers in | - | 3,000 | 3,000 |
| Transfers out | <u>(3,000)</u> | <u>-</u> | <u>(3,000)</u> |
| Total other financing sources (uses) | <u>(3,000)</u> | <u>3,000</u> | <u>-</u> |
| Net change in fund balances | 282,341 | 528 | 282,869 |
| Fund balances, beginning of year, as restated | <u>370,016</u> | <u>11,977</u> | <u>381,993</u> |
| Fund balances, end of year | <u>\$ 652,357</u> | <u>\$ 12,505</u> | <u>\$ 664,862</u> |

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, 2021

| | Original Budget | Final Budget | Actual | Actual Over (Under) Final Budget |
|--|--------------------|-------------------|-------------------|--|
| Revenues | | | | |
| Local sources | \$ 35,550 | \$ 64,818 | \$ 51,848 | \$ (12,970) |
| State sources | 2,655,842 | 2,915,923 | 2,768,949 | (146,974) |
| Federal sources | 841,906 | 1,241,822 | 872,762 | (369,060) |
| Total revenues | <u>3,533,298</u> | <u>4,222,563</u> | <u>3,693,559</u> | <u>(529,004)</u> |
| Expenditures | | | | |
| Instruction: | | | | |
| Basic programs | 1,299,487 | 1,559,920 | 1,473,885 | (86,035) |
| Added needs | 478,974 | 761,280 | 448,742 | (312,538) |
| Total instruction | <u>1,778,461</u> | <u>2,321,200</u> | <u>1,922,627</u> | <u>(398,573)</u> |
| Support services: | | | | |
| Pupil | 179,871 | 120,062 | 108,354 | (11,708) |
| Instructional services | 179,518 | 174,583 | 152,741 | (21,842) |
| General administration | 328,520 | 335,744 | 311,334 | (24,410) |
| School administration | 190,796 | 153,422 | 173,428 | 20,006 |
| Business | 156,401 | 134,766 | 117,243 | (17,523) |
| Operations and maintenance | 374,774 | 388,261 | 391,737 | 3,476 |
| Transportation | 5,780 | 2,200 | - | (2,200) |
| Central | 238,258 | 258,271 | 222,349 | (35,922) |
| Facility and construction improvements | 15,575 | - | - | - |
| Total support services | <u>1,669,493</u> | <u>1,567,309</u> | <u>1,477,186</u> | <u>(90,123)</u> |
| Community services | <u>10,340</u> | <u>14,342</u> | <u>8,405</u> | <u>(5,937)</u> |
| Total expenditures | <u>3,458,294</u> | <u>3,902,851</u> | <u>3,408,218</u> | <u>(494,633)</u> |
| Revenues over (under) expenditures | 75,004 | 319,712 | 285,341 | (34,371) |
| Other financing uses | | | | |
| Transfers out | - | (3,000) | (3,000) | - |
| Net change in fund balance | 75,004 | 316,712 | 282,341 | (34,371) |
| Fund balance, beginning of year | <u>370,016</u> | <u>370,016</u> | <u>370,016</u> | <u>-</u> |
| Fund balance, end of year | <u>\$ 445,020</u> | <u>\$ 686,728</u> | <u>\$ 652,357</u> | <u>\$ (34,371)</u> |

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

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 were approximately \$73,000.

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.

W-A-Y Academy

Notes to 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.

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 funds* are 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.

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.

W-A-Y Academy

Notes to 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.

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.

W-A-Y Academy

Notes to Financial Statements

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, 2021, 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 | | | |
| Support services - | | | |
| School administration | \$ 153,422 | \$ 173,428 | \$ 20,006 |
| Operations and maintenance | 388,261 | 391,737 | 3,476 |

4. DEPOSITS AND INVESTMENTS

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

Statement of Net Position

Cash and cash equivalents \$ 479,351

Deposits

Bank deposits -
 Checking and savings accounts \$ 479,351

W-A-Y Academy

Notes to Financial Statements

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 the 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.

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.

W-A-Y Academy

Notes to Financial Statements

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, \$225,278 of the Academy’s bank balance of \$476,450 was exposed to custodial credit risk because it was uninsured and uncollateralized.

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, PAYABLES, AND TRANSFERS

At June 30, 2021, interfund receivables and payables consisted of the following:

| | Due from Other Funds | Due to Other Funds |
|-----------------------|-------------------------|-----------------------|
| General fund | \$ 597 | \$ - |
| Nonmajor food service | - | 597 |
| | <u>\$ 597</u> | <u>\$ 597</u> |

The Academy often reports interfund balances between 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.

For the year ended June 30, 2021, the Academy transferred \$3,000 from the general fund to the food service fund for at-risk services.

6. SHORT-TERM NOTES PAYABLE

At year end, the Academy has a short-term state aid anticipation note outstanding of \$69,841 plus accrued interest of \$2,215, both of which are recorded as liabilities in the general fund. The note carries an interest rate of 3.45% and is due August 20, 2021.

Short-term debt activity for the year ended June 30, 2021, was as follows:

| | Beginning Balance | Additions | Deductions | Ending Balance |
|----------------|----------------------|------------|------------|-------------------|
| State aid note | \$ 118,780 | \$ 389,000 | \$ 437,939 | \$ 69,841 |

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 \$83,232 for the year. The future minimum lease payments for these leases are as follows:

| Year Ended June 30, | Amount |
|---------------------|------------------|
| 2022 | <u>\$ 83,232</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.

Per the terms of the agreement, W-A-Y Program receives 8% of state per pupil revenue as its annual management fee. For the year ended June 30, 2021, the management fee for the Academy was approximately \$196,000. As part of the agreement, W-A-Y Program sets aside an amount equal to five 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, 2021 were approximately \$2.36 million.

W-A-Y Academy

Notes to Financial Statements

10. CORONAVIRUS (COVID-19)

In March 2020, the World Health Organization declared the novel coronavirus outbreak (COVID-19) to be a global pandemic. While the pandemic has resulted in an increase in the demands on the District to deliver education to students in a safe environment, the Federal Government has also provided significant resources to help mitigate the impacts of COVID-19. The District received approximately \$441,000 during 2021 from various funding sources to be used to respond to the impacts of the COVID-19 pandemic through the CARES Act and other funding sources. This funding was used to purchase personal protection equipment (PPE), cleaning and sanitizing materials, and supplies, as well as for activities to support remote learning for students. With these additional Federal resources, at this time management does not believe that the negative financial impact of the pandemic, if any, would be material to the District.

11. RESTATEMENT

The District adopted the provisions of GASB Statement No. 84, *Fiduciary Activities*, in the current year. As a result of this change, beginning net position of governmental activities and the beginning fund balance of the school activity nonmajor special revenue fund were increased by \$1,171.

12. SUBSEQUENT EVENTS

State Aid Anticipation Notes

On September 2, 2021, the Academy borrowed \$184,000 in State Aid Anticipation Notes. The notes bear interest at a rate of 3.30% and are due through August 22, 2022.



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**COMBINING FUND
FINANCIAL STATEMENTS**

W-A-Y Academy

Combining Balance Sheet

Nonmajor Governmental Funds - Special Revenue Funds

June 30, 2021

| | Food Service Fund | Student/School Activity Fund | Total Nonmajor Governmental Funds |
|--|----------------------|---------------------------------|---|
| Assets | | | |
| Cash and cash equivalents | \$ 12,235 | \$ 1,171 | \$ 13,406 |
| Due from other governments | 597 | - | 597 |
| Total assets | <u>\$ 12,832</u> | <u>\$ 1,171</u> | <u>\$ 14,003</u> |
| Liabilities | | | |
| Accounts payable | \$ 901 | \$ - | \$ 901 |
| Due to other funds | 597 | - | 597 |
| Total liabilities | <u>1,498</u> | <u>-</u> | <u>1,498</u> |
| Fund balances | | | |
| Restricted for food service | 11,334 | - | 11,334 |
| Committed for student/school activity | - | 1,171 | 1,171 |
| Total fund balances | <u>11,334</u> | <u>1,171</u> | <u>12,505</u> |
| Total liabilities and fund balances | <u>\$ 12,832</u> | <u>\$ 1,171</u> | <u>\$ 14,003</u> |

W-A-Y Academy

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds - Special Revenue Funds

For the Year Ended June 30, 2021

| | Food Service Fund | Student/School Activity Fund | Total Nonmajor Governmental Funds |
|--|-------------------------|---------------------------------|---|
| Revenues | | | |
| State sources | \$ 1,908 | \$ - | \$ 1,908 |
| Federal sources | 27,044 | - | 27,044 |
| Total revenues | <u>28,952</u> | <u>-</u> | <u>28,952</u> |
| Expenditures | | | |
| Current - | | | |
| Food services | <u>31,424</u> | <u>-</u> | <u>31,424</u> |
| Revenues over (under) expenditures | (2,472) | - | (2,472) |
| Other financing sources | | | |
| Transfers in | <u>3,000</u> | <u>-</u> | <u>3,000</u> |
| Net change in fund balances | 528 | - | 528 |
| Fund balances, beginning of year, as restated | <u>10,806</u> | <u>1,171</u> | <u>11,977</u> |
| Fund balances, end of year | <u><u>\$ 11,334</u></u> | <u><u>\$ 1,171</u></u> | <u><u>\$ 12,505</u></u> |

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SINGLE AUDIT ACT COMPLIANCE

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INDEPENDENT AUDITORS' REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

November 1, 2021

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

We have audited the financial statements of the governmental activities, the major fund, and the remaining fund information of **W-A-Y Academy** (the "Academy") as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements. We issued our report thereon dated November 1, 2021, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



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W-A-Y Academy

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2021

| Federal Agency / Cluster / Program Title | Assistance Listing Number | Passed Through | Pass-through / Grantor Number |
|---|---------------------------|----------------|-------------------------------|
| U.S. Department of Agriculture | | | |
| Child Nutrition Cluster: | | | |
| School Breakfast Program 19-20 | 10.553 | MDE | 201970 |
| School Breakfast Program 20-21 | 10.553 | MDE | 211970 |
| National School Lunch Program | | | |
| School Lunch 19-20 | 10.555 | MDE | 210960 |
| School Lunch 20-21 | 10.555 | MDE | 211960 |
| Total U.S. Department of Agriculture / Child Nutrition Cluster | | | |
| U.S. Department of Treasury | | | |
| COVID-19 - Coronavirus Relief Fund: | | | |
| District COVID Costs - 103(2) | 21.019 | MDE | -n/a- |
| School Aid - 11p | 21.019 | MDE | -n/a- |
| MAISA Device Purchase | 21.019 | CCISD | -n/a- |
| Total U.S. Department of Treasury | | | |
| U.S. Department of Education | | | |
| Title I, Part A: | | | |
| CSI/RAG | 84.010 | WCRESA | -n/a- |
| 2019-20 | 84.010 | MDE | 201530-1920 |
| 2020-21 | 84.010A | MDE | 211530-2021 |
| Special Education Cluster (IDEA): | | | |
| Special Education - Grants to States (2019-20) | 84.027 | WCRESA | 210450 |
| Special Education - Grants to States (2020-21) | 84.027 | WCRESA | 211450 |

| Approved Awards Amount | Accrued (Unearned) Revenue at July 1, 2020 | Federal Funds / Payments In-Kind Received | Expenditures (Memo Only) Prior Year(s) | Expenditures June 30, 2021 | Accrued (Unearned) Revenue at June 30, 2021 |
|------------------------|--|---|--|----------------------------|---|
| \$ 11,739 | \$ - | \$ 972 | \$ 10,767 | \$ 972 | \$ - |
| 9,458 | - | 9,458 | - | 9,458 | - |
| | - | 10,430 | 10,767 | 10,430 | - |
| 26,038 | - | 1,548 | 24,490 | 1,548 | - |
| 15,066 | - | 15,066 | - | 15,066 | - |
| | - | 16,614 | 24,490 | 16,614 | - |
| | - | 27,044 | 35,257 | 27,044 | - |
| 109,872 | - | 109,872 | - | 109,872 | - |
| 3,867 | - | 3,867 | - | 3,867 | - |
| 17,441 | - | 17,441 | - | 17,441 | - |
| | - | 131,180 | - | 131,180 | - |
| 38,280 | - | 25,162 | 6,786 | 31,494 | 6,332 |
| 330,636 | 89,822 | 179,636 | 224,569 | 89,814 | - |
| 296,734 | - | 148,792 | - | 180,088 | 31,296 |
| | 89,822 | 353,590 | 231,355 | 301,396 | 37,628 |
| 82,000 | 82,000 | 82,000 | - | - | - |
| 84,440 | - | 84,440 | - | 84,440 | - |
| | 82,000 | 166,440 | - | 84,440 | - |

continued...

W-A-Y Academy

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2021

| Federal Agency / Cluster / Program Title | Assistance Listing Number | Passed Through | Pass-through / Grantor Number |
|--|---------------------------|----------------|-------------------------------|
| U.S. Department of Education (concluded) | | | |
| Title III, Part A: | | | |
| 2019-20 | 84.031A | WCRESA | 200580-1920 |
| 2020-21 | 84.031A | WCRESA | 210580-2021 |
| Title II, Part A: | | | |
| 2019-20 | 84.367 | MDE | 200520-1920 |
| 2020-21 | 84.367 | MDE | 210520-2021 |
| Title IV, Part A: | | | |
| 2019-20 | 84.424 | MDE | 200750 |
| 2020-21 | 84.424 | MDE | 210750 |
| COVID-19 - Education Stabilization Fund: | | | |
| Governor's Emergency Education Relief (GEER) Funds | 84.425C | MDE | 201200-2021 |
| Elementary and Secondary School Emergency Relief (ESSER) Fund: | | | |
| ESSER Formula Funds I | 84.425D | MDE | 203710-1920 |
| ESSER Formula Funds II | 84.425D | MDE | 203720-1920 |
| Emergency Relief (EE) Education Equity | 84.425D | MDE | 203720-1920 |
| Total U.S. Department of Education | | | |
| Total Federal Financial Assistance | | | |

See notes to schedule of expenditures of federal awards.

| Approved Awards Amount | Accrued (Unearned) Revenue at July 1, 2020 | Federal Funds / Payments In-Kind Received | Expenditures (Memo Only) Prior Year(s) | Expenditures June 30, 2021 | Accrued (Unearned) Revenue at June 30, 2021 |
|------------------------|--|---|--|----------------------------|---|
| \$ 12,613 | \$ - | \$ - | \$ 12,613 | \$ - | \$ - |
| - | - | 11,517 | - | 11,517 | - |
| | - | 11,517 | 12,613 | 11,517 | - |
| 25,408 | 6,355 | 6,355 | 19,371 | - | - |
| 26,543 | | 13,670 | - | 13,670 | - |
| | 6,355 | 20,025 | 19,371 | 13,670 | - |
| 30,975 | - | 8,899 | 18,182 | 163 | - |
| 34,504 | - | 12,791 | - | 20,611 | 7,820 |
| | - | 21,690 | 18,182 | 20,774 | 7,820 |
| 37,072 | - | 13,636 | - | 17,359 | 3,723 |
| 247,066 | - | 180,424 | - | 206,762 | 26,338 |
| 525,906 | - | - | - | 56,064 | 56,064 |
| 38,470 | - | 16,350 | - | 29,600 | 13,250 |
| | - | 210,410 | - | 309,785 | 99,375 |
| | 178,177 | 783,672 | 281,521 | 741,582 | 144,823 |
| | <u>\$ 178,177</u> | <u>\$ 941,896</u> | <u>\$ 316,778</u> | <u>\$ 899,806</u> | <u>\$ 144,823</u> |

concluded.

W-A-Y Academy

Notes to Schedule of Expenditures of Federal Awards

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of W-A-Y Academy (the "Academy") under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Academy, it is not intended to and does not present the financial position, changes in net position or cash flows of the Academy.

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting, which is described in Note 1 to the Academy's financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance or other applicable guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

Cash received is recorded on the cash basis; expenditures are recorded on the modified accrual basis of accounting. Revenues are recognized when the qualifying expenditures have been included and all grant requirements have been met.

The Schedule has been arranged to provide information on both the actual cash received and the revenue recognized. Accordingly, the effects of accruals of accounts receivable, unearned revenue and accounts payable items at both the beginning and the end of the fiscal year have been reported.

Expenditures are in agreement with amounts reported in the financial statements and the financial reports. The amounts on the Grant Auditor Reports reconcile with this Schedule.

2. 10% DE MINIMIS COST RATE

For purposes of charging indirect costs to federal awards, the Academy has not elected to use the 10 percent de minimis cost rate as permitted by §200.414 of the Uniform Guidance.

3. PASS-THROUGH AGENCIES

The Academy receives certain federal grant as subawards from non-federal entities. Pass-through entities, where applicable, have been identified in the Schedule with an abbreviation, defined as follows:

| Pass-through Agency Abbreviation | Pass-through Agency Name |
|----------------------------------|--|
| MDE | Michigan Department of Education |
| WCRESA | Wayne County Regional Educational Service Agencies |
| CCISD | Copper Country Intermediate School District |



**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**

November 1, 2021

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 the **W-A-Y Academy** (the "Academy"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements, and have issued our report thereon dated November 1, 2021.

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) as a basis for designing 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as items 2021-001 and -002 that we consider to be significant deficiencies.

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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 financial statements. 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*.

W-A-Y Academy's Response to Findings

The Academy's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Academy's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 Lobson LLC

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

November 1, 2021

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

Report on Compliance for Each Major Federal Program

We have audited the compliance of the **W-A-Y Academy** (the "Academy") with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the Academy's major federal programs for the year ended June 30, 2021. The Academy's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Independent Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Academy's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Academy's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Academy's compliance.

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Opinion on Each Major Federal Program

In our opinion, the Academy complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of the Academy is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Academy's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2021-003 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2021-004 to be a significant deficiency.

The Academy's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Academy's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Lehmann Lohman LLC". The signature is written in a cursive style with a large initial 'L' and 'L'.

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W-A-Y Academy

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2021

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified? X yes none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? X yes no

Significant deficiency(ies) identified? X yes none reported

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? X yes no

Identification of major programs and type of auditors' report issued on compliance for each major program:

| <u>Assistance Listing Number</u> | <u>Name of Federal Program or Cluster</u> | <u>Type of Report</u> |
|----------------------------------|---|-----------------------|
| 21.019 | Coronavirus Relief Fund | Unmodified |
| 84.425 | Education Stabilization Fund | Unmodified |

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? yes X no

W-A-Y Academy

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2021

SECTION II – FINANCIAL STATEMENT FINDINGS

2021-001 – Significant Audit Adjustments (Repeat)

Finding Type. Significant Deficiency in Internal Control over Financial Reporting.

Criteria. Management is responsible for maintaining its accounting records in accordance with generally accepted accounting principles (GAAP).

Condition. During our audit, we identified and proposed certain adjustments (which were approved and posted by management) that were significant to the Academy's financial statements. In the general fund, unearned revenue and state revenue were initially understated by approximately \$23,000.

Cause. Internal controls did not detect all adjustments necessary to properly record year-end balances.

Effect. As a result of this condition, the Academy's financial statements were initially misstated by amounts that were significant to the financial statements.

Recommendation. Management has already taken appropriate corrective action by reviewing and approving the proposed audit adjustments.

View of Responsible Officials. The Director of Finance and Accountant will review general ledger accounts detail to ensure the accounts are reconciled.

Responsible Officials. Director of Finance and Accountant

Estimated Completion Date. June 30, 2022

W-A-Y Academy

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2021

2021-002 – Independent Review of Manual Journal Entries (Repeat)

Finding Type. Significant Deficiency in Internal Control over Financial Reporting.

Criteria. Management is responsible for establishing effective internal controls to safeguard the Academy's assets, and to prevent or detect misstatements to the financial statements. Manual journal entries, while an essential part of any accounting system, represent an opportunity to enter information into the Academy's records in a way that bypasses normal internal controls. Accordingly, the Academy should have a system in place to ensure that all manual journal entries and similar adjustments made to the Academy's accounting records are reviewed and approved by an appropriate member of management, independent of the preparer.

Condition. The Academy's policies and procedures in place during the fiscal year under audit did not require an independent review or approval of manual journal entries made by members of senior management.

Cause. This condition is a result of the Academy's limited resources, and the small size of its accounting staff.

Effect. While we are not aware of any actual misstatements caused by this condition, the Academy was nevertheless exposed to an increased risk that misstatements, whether caused by error or fraud, could occur and not be detected by management in a timely manner.

Recommendation. We recommend that the Academy establish a procedure requiring written, independent review and approval for all manual journal entries, including transactions that are recurring in nature. This review should be evidenced by signature/initials and date, attached to the supporting documentation, and retained for audit purposes.

View of Responsible Officials. All journal entries will be reviewed for accuracy, propriety, and documentation by someone other than the person preparing the entry. Written documentation verifying this review will be maintained by the Academy.

Responsible Officials. Director of Finance and Accountant

Estimated Completion Date. June 30, 2022

W-A-Y Academy

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2021

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2021-003 – Allowable Costs/Cost Principles – Disbursements

Finding Type. Material Weakness in Internal Control over Compliance

Federal program(s)

U.S. Department of Education

- Education Stabilization Fund (CFDA# 84.425); Passed through MDE; All project numbers

Criteria. The Uniform Guidance requires the Academy to support disbursements charged to federal cost objectives with adequate documentation in accordance with the Academy's purchasing policies, which require approved purchase orders and invoices. These purchase orders should be properly reviewed and approved.

Condition. Eighteen of the twenty seven disbursements selected for testing did not include the required purchase order and other documentation of approvals by the appropriate, authorizing individual.

Cause. While the Academy has procedures in place to cover these areas, due to staff turnover, the small size of its accounting staff, and limited resources, the Academy did not adequately follow through on documenting and retaining evidence of approvals for disbursements as is their policy.

Effect. As a result of this condition, the Academy was exposed to increased risk that disbursements of federal awards could be made for unallowable costs.

Questioned Costs. No costs have been questioned as a result of this finding.

Recommendation. We recommend that the Academy review its written policies and procedures over federal awards to ensure that all disbursements have the appropriate documentation and evidence of review and approval prior to payment.

View of Responsible Officials. The Academy will develop the appropriate policies under Uniform Guidance and ensure that these policies are being followed.

Responsible Officials. Director of Finance and Accountant

Estimated Completion Date. June 30, 2022

W-A-Y Academy

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2021

2021-004 – Written Policies Required by the Uniform Grant Guidance

Finding Type. Immaterial Noncompliance; Significant Deficiency in Internal Controls over Compliance.

Federal program(s)

U.S. Department of Education

- Education Stabilization Fund (CFDA# 84.425); Passed through MDE; All project numbers

Criteria. The Uniform Guidance requires a non-federal entity that has expended federal awards for a grant awarded on or after December 26, 2014 to have written policies pertaining to: 1) Payments (draws of federal funds and how to minimize the time lapsing between the receipt of federal funds and the disbursement to contractors/employees/subrecipients) (§200.302(6)); 2) Procurement (including bidding and a conflict of interest policy) (§200.318) 3) Allowability of costs charged to federal programs (§200.302(7)); 4) Compensation (personnel and benefits policy) (§200.430 and §200.431); and 5) Travel costs (including mileage and per diem) (§200.474).

Condition. Although the Academy has processes in place to cover these areas, there are no formal written policies covering payments, procurement, allowability of costs, compensation, and travel costs in accordance with the Uniform Guidance.

Cause. This condition is a result of the Academy's limited resources, and the small size of its accounting staff.

Effect. As a result of this condition, the Academy was exposed to increased risk that grant requirements under 2 CFR 200 would not be followed.

Questioned Costs. No costs were questioned as a result of this finding.

Recommendation. We recommend that the Academy develop and implement the required policies as soon as practical.

View of Responsible Officials. A written policy will be developed and implemented to meet the requirements under Federal guidance.

Responsible Officials. Director of Finance and Accountant

Estimated Completion Date. June 30, 2022



W-A-Y Academy

Summary Schedule of Prior Audit Findings

For the Year Ended June 30, 2021

Finding 2020-001: Material Audit Adjustments

In the prior year, the auditors identified and proposed material adjustments (which were approved and posted by management) to adjust the Academy's general ledger to the appropriate balances. As a result of this condition, the Academy's accounting records were initially misstated by amounts material to the financial statements. This finding has been repeated as 2021-001.

Finding 2020-002: Journal Entries

In the prior year, the auditors noted that the Academy's policies and procedures in place did not require an independent review or approval of manual journal entries made by members of senior management. As a result of this condition, the Academy was exposed to an increased risk that misstatements, whether caused by error or fraud, could occur and not be detected by management in a timely manner. This finding has been repeated as 2021-002.

