

MID-MICHIGAN LEADERSHIP ACADEMY

REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)

YEAR ENDED JUNE 30, 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Mid-Michigan Leadership Academy

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Mid-Michigan Leadership Academy as of June 30, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Mid-Michigan Leadership Academy's basic financial statements. The additional supplementary information, as identified in the table of contents, including the schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The additional supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The additional supplementary 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 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 additional supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2021 on our consideration of Mid-Michigan Leadership 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 Mid-Michigan Leadership 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 Mid-Michigan Leadership Academy's internal control over financial reporting and compliance.

Maney Costeiran PC

October 27, 2021

MANAGEMENT’S DISCUSSION AND ANALYSIS

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

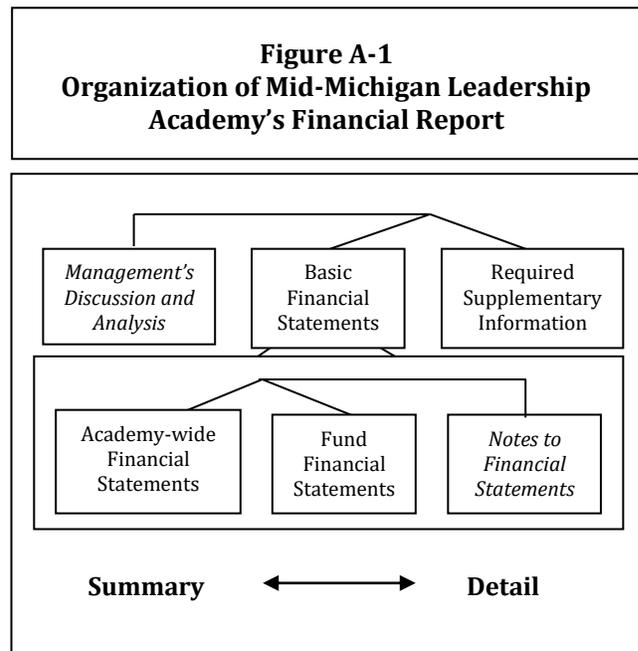
Financial Highlights

- The Academy’s fund balance in the general fund increased \$155,389 for the period ended June 30, 2021 as compared to a budgeted decrease of \$68,651.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts - management’s discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Academy:

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



The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the Academy’s budget for the year. Figure A-1 shows how the various parts of the annual report are arranged and related to one another.

Figure A-2 summarizes the major features of the Academy’s financial statements, including the portion of the Academy’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2 Major Features of the Academy-wide and Fund Financial Statements

	Academy-wide statements	Governmental funds
Scope	Entire academy (except fiduciary funds)	All activities of the Academy that are not fiduciary.
Required financial statements	* Statement of net position * Statement of activities	* Balance sheet * Statement of revenues, expenditures and changes in fund balances
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus.
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included.
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable.

Academy-wide Statements

The Academy-wide statements report information about the Academy as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the Academy’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two Academy-wide statements report the Academy’s net position and how they have changed. Net position - the difference between the Academy’s assets and liabilities, are one way to measure the Academy’s financial health or position.

- Over time, increases or decreases in the Academy’s net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the Academy, you need to consider additional non-financial factors such as changes in the Academy’s enrollment, the condition of school buildings and other facilities, and the Academy’s ability to be competitive with other public school academies and area school districts.

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

Fund Financial Statements

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

- Some funds are required by state law and by debt agreements.
- The Academy establishes other funds to control and manage money for particular purposes (like its food service program).

All of the Academy's basic services are included in governmental funds which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out, and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Academy's programs. Because this information does not encompass the additional long-term focus of the Academy-wide statements, we provide additional information with the governmental funds statement that explains the relationship (or differences) between them.

Financial Analysis of the Academy as a Whole

Net Position - the Academy's combined net position of \$2,104,801 increased by \$281,139 during the year. See Figures A-3 and A-4.

The total revenues increased by 19.6% to \$4,397,236 due to the 9% increase in enrollment for the fall 2021 count, as well as the increased federal revenue due to the COVID-19 pandemic.

The total cost of instruction increased by 52.2%, or \$687,502 to \$2,004,255 due to the increase in enrollment at the Academy during the year. Total support service increased by 3.66%, or \$59,968 to \$1,752,912. Support service increases are also attributable to the enrollment increase.

Figure A-3		
Mid-Michigan Leadership Academy's Net Position		
	<u>2021</u>	<u>2020</u>
Current and other assets	\$ 1,622,392	\$ 1,290,336
Capital assets	<u>846,206</u>	<u>839,840</u>
Total assets	<u>2,468,598</u>	<u>2,130,176</u>
Current liabilities	321,765	210,051
Noncurrent liabilities	<u>42,032</u>	<u>96,463</u>
Total liabilities	<u>363,797</u>	<u>306,514</u>
Net position		
Net investment in capital assets	804,174	743,377
Restricted for special revenue (food service)	99,048	34,095
Unrestricted	<u>1,201,579</u>	<u>1,046,190</u>
Total net position	<u>\$ 2,104,801</u>	<u>\$ 1,823,662</u>

Figure A-4		
Changes in Mid-Michigan Leadership Academy's Net Position		
	<u>2021</u>	<u>2020</u>
Revenues		
Program revenues		
Operating grants	\$ 1,243,325	\$ 865,652
General revenues		
State aid - unrestricted	2,909,416	2,598,286
Incoming transfer from Ingham ISD	242,657	206,600
Other	<u>1,838</u>	<u>7,138</u>
Total revenues	<u>4,397,236</u>	<u>3,677,676</u>
Expenses		
Instruction	2,004,255	1,316,753
Support services	1,752,912	1,640,188
Community service	14,857	14,473
Food service	263,292	254,981
Capital outlay	-	-
Unallocated depreciation	<u>80,781</u>	<u>73,838</u>
Total expenses	<u>4,116,097</u>	<u>3,300,233</u>
Change in net position	<u>\$ 281,139</u>	<u>\$ 377,443</u>

Financial Analysis of the Academy's Funds

The Academy's fund balance in the general fund increased by \$155,389 to \$1,201,579. The fund balance as a percentage of 2021 total general fund expenditures is approximately 31.2%. The fund balance as a percentage of 2021 unrestricted state aid revenue is approximately 41.3%.

General Fund Budgetary Highlights

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

The Academy's final budget for the general fund anticipated expenditures and other financing uses would exceed revenue and other financing sources by \$68,651. The actual results for the year showed revenues and other financing sources over expenditures and other financing uses of \$155,389.

Actual revenues were \$108,413 less than budgeted, primarily due to unspent federal grants.

Actual expenditures were \$386,884 less than budgeted, primarily due to unspent federal and state grants and lower than expected costs in basic programs and added needs.

Capital Asset and Debt Administration

Capital Assets

By the end of the year ended June 30, 2021, the Academy had invested \$846,206 in capital assets net of accumulated depreciation as summarized in Figure A-5. This amount represents an increase of \$6,366 from the beginning of the year. Total depreciation expense for the year was \$80,781. More detailed information about capital assets can be found in Note 3 to the financial statements.

The Academy's capital assets are as follows:

	2021			2020
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Land	\$ 211,000	\$ -	\$ 211,000	\$ 211,000
Building and improvements	977,324	510,123	467,201	469,699
Technology and equipment	219,365	167,639	51,726	54,263
Furniture and fixtures	282,899	166,620	116,279	104,878
Total	\$ 1,690,588	\$ 844,382	\$ 846,206	\$ 839,840

Factors Bearing on the Academy's Future

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

- The Academy has adopted a general fund budget for the 2021 - 2022 year in which revenues exceed expenditures by approximately \$8,917.
- The Academy received an ESSER II allocation of \$653,733, and an ESSER III allocation of \$1,468,281. The projected use of funds are to address learning loss, make sure the school can routinely operate in a clean & safe environment, and overcome the impacts of the COVID 19 pandemic.

Contacting the Academy's Financial Management

This financial report is designed to provide our students, parents and creditors with a general overview of the Academy's finances and to demonstrate the Academy's accountability for the money it receives. If you have questions about this report or need additional information, contact the Academy at 730 W. Maple, Lansing, Michigan, 48906, phone (517) 485-5379.

BASIC FINANCIAL STATEMENTS

**MID-MICHIGAN LEADERSHIP ACADEMY
STATEMENT OF NET POSITION
JUNE 30, 2021**

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 362,498
Intergovernmental receivable	1,102,565
Prepays	157,329
Capital assets not being depreciated	211,000
Capital assets, net of accumulated depreciation	<u>635,206</u>
TOTAL ASSETS	<u>2,468,598</u>
LIABILITIES	
Accounts payable	89,065
Accrued personnel costs and related items	229,058
Unearned revenues	3,642
Noncurrent liabilities	
Due within one year	<u>42,032</u>
TOTAL LIABILITIES	<u>363,797</u>
NET POSITION	
Net investment in capital assets	804,174
Restricted for special revenue (food service)	99,048
Unrestricted	<u>1,201,579</u>
TOTAL NET POSITION	<u><u>\$ 2,104,801</u></u>

**MID-MICHIGAN LEADERSHIP ACADEMY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021**

Functions/Programs	Expenses	Program Revenues		Governmental
		Charges for Services	Operating Grants	Activities Net (Expense) Revenue and Changes in Net Position
Governmental activities				
Instruction	\$ 2,004,255	\$ -	\$ 602,054	\$ (1,402,201)
Support services	1,752,912	-	295,616	(1,457,296)
Community service	14,857	-	14,229	(628)
Food service	263,292	-	331,426	68,134
Depreciation (unallocated)	80,781	-	-	(80,781)
Total governmental activities	<u>\$ 4,116,097</u>	<u>\$ -</u>	<u>\$ 1,243,325</u>	<u>(2,872,772)</u>
General revenues				
State sources - unrestricted				2,909,416
Incoming transfer from Ingham ISD				242,657
Other				1,838
Total general revenues				<u>3,153,911</u>
CHANGE IN NET POSITION				281,139
NET POSITION, beginning of year				<u>1,823,662</u>
NET POSITION, end of year				<u>\$ 2,104,801</u>

See notes to financial statements.

**MID-MICHIGAN LEADERSHIP ACADEMY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2021**

	General Fund	Nonmajor (Special Revenue) Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 362,498	\$ -	\$ 362,498
Receivables			
Intergovernmental	1,036,672	65,893	1,102,565
Due from other funds	-	33,155	33,155
Prepays	157,329	-	157,329
TOTAL ASSETS	\$ 1,556,499	\$ 99,048	\$ 1,655,547
LIABILITIES			
Accounts payable	\$ 89,065	\$ -	\$ 89,065
Due to other funds	33,155	-	33,155
Accrued personnel costs and related items	229,058	-	229,058
Unearned revenue	3,642	-	3,642
TOTAL LIABILITIES	354,920	-	354,920
FUND BALANCES			
Nonspendable			
Prepays	157,329	-	157,329
Restricted for food service	-	99,048	99,048
Committed for combined sewer overflow project	44,148	-	44,148
Unassigned	1,000,102	-	1,000,102
TOTAL FUND BALANCES	1,201,579	99,048	1,300,627
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,556,499	\$ 99,048	\$ 1,655,547
Total governmental fund balances			\$ 1,300,627
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and are not reported in the funds:			
The cost of the capital assets is		\$ 1,690,588	
Accumulated depreciation is		(844,382)	846,206
Long-term liabilities are not due and payable in the current period and are not reported in the funds:			
Long-term obligations			(42,032)
Net position of governmental activities			\$ 2,104,801

See notes to financial statements.

MID-MICHIGAN LEADERSHIP ACADEMY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2021

	General Fund	Nonmajor (Special Revenue) Fund	Total Governmental Funds
REVENUES			
Local sources			
Other local revenue	\$ 1,838	\$ -	\$ 1,838
State sources	3,256,290	11,775	3,268,065
Federal sources	565,025	319,651	884,676
Incoming transfers and other	242,657	-	242,657
	<u>4,065,810</u>	<u>331,426</u>	<u>4,397,236</u>
EXPENDITURES			
Current			
Instruction			
Basic programs	1,566,508	-	1,566,508
Added needs	437,782	-	437,782
	<u>2,004,290</u>	<u>-</u>	<u>2,004,290</u>
Support services			
Pupil	243,537	-	243,537
Instructional staff	63,112	-	63,112
General administration	475,052	-	475,052
School administration	254,160	-	254,160
Business services	76,248	-	76,248
Operation and maintenance	501,424	-	501,424
Pupil transportation	137,078	-	137,078
Central support services	86,232	-	86,232
	<u>1,836,843</u>	<u>-</u>	<u>1,836,843</u>
Community service	14,857	-	14,857
Food service	-	263,292	263,292
Capital outlay	-	3,181	3,181
	<u>3,855,990</u>	<u>266,473</u>	<u>4,122,463</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>209,820</u>	<u>64,953</u>	<u>274,773</u>
OTHER FINANCING SOURCES (USES):			
Principal repayments on debt	(54,431)	-	(54,431)
	<u>(54,431)</u>	<u>-</u>	<u>(54,431)</u>
NET CHANGE IN FUND BALANCES	155,389	64,953	220,342
FUND BALANCES			
Beginning of year	1,046,190	34,095	1,080,285
End of year	<u>\$ 1,201,579</u>	<u>\$ 99,048</u>	<u>\$ 1,300,627</u>

See notes to financial statements.

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

Net change in fund balances total governmental funds	\$ 220,342
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. In the statement of activities these costs are allocated over their estimated useful lives as depreciation:	
Depreciation expense	(80,781)
Capital outlay	87,147
Proceeds and repayments of principal on long-term debts are other financing sources and expenditures in the governmental funds, but not in the statement of activities (where they are additions and reductions of liabilities):	
Principal repayment	54,431
Change in net position of governmental activities	\$ 281,139

**MID-MICHIGAN LEADERSHIP ACADEMY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Academy. The Academy currently does not have fiduciary activities. *Governmental activities* normally are supported by intergovernmental revenues.

Reporting Entity

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

Basis of Presentation - Government-wide Financial Statements

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

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

Basis of Presentation - Fund Financial Statements

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

The Academy reports the following major governmental fund:

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

The Academy reports the following nonmajor governmental fund:

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

**MID-MICHIGAN LEADERSHIP ACADEMY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation - Fund Financial Statements (continued)

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

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

Measurement Focus and Basis of Accounting

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

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

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Academy considers revenues to be available if they are generally collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

**MID-MICHIGAN LEADERSHIP ACADEMY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting (continued)

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

The state portion of the Foundation is provided primarily by a state education property tax millage of 6 mills on Principal Residence Exemption (PRE) property and an allocated portion of state sales and other taxes. The state revenue is recognized during the foundation period and is funded through payments from October to August. Thus, the unpaid portion at June 30 is reported as an intergovernmental receivable.

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

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

Budgetary Information

Budgetary Basis of Accounting:

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

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

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

**MID-MICHIGAN LEADERSHIP ACADEMY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgetary Information (continued)

Budgetary Basis of Accounting (continued):

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

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

Cash and Cash Equivalents

The Academy's cash and cash equivalents are considered to be cash on hand and demand deposit accounts.

Investments

Certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. Standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Academy intends to hold the investment until maturity.

State statutes authorize the Academy to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The Academy is also authorized to invest in U.S. district or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

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

**MID-MICHIGAN LEADERSHIP ACADEMY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Capital Assets

Capital assets, as summarized below, are reported in the government-wide financial statements. Capital assets are defined by the Academy as assets with an initial, individual cost of more than \$5,000 and a useful life in excess of one year. Group purchases are evaluated on a case by case basis. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

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

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

<u>Capital asset classes</u>	<u>Lives</u>
Buildings and improvements	5 - 20
Technology and equipment	5 - 20
Furniture and fixtures	5 - 20

Deferred Outflows/Inflows Of Resources

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

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

Net Position Flow Assumption

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

**MID-MICHIGAN LEADERSHIP ACADEMY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Balance Flow Assumptions

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

Fund Balance Policies

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

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

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

Revenues and Expenditures/Expenses

Program Revenues

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

**MID-MICHIGAN LEADERSHIP ACADEMY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues and Expenditures/Expenses (continued)

Long-term Obligations

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

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

NOTE 2 - CASH DEPOSITS - CREDIT RISK

Cash is held in the name of the Academy. These deposits are subject to custodial credit risk. This is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. The Academy minimizes custodial credit risk on deposits by assessing the credit worthiness of the individual institutions in which it deposits funds. The amount of deposits with each institution is assessed to determine the level of risk it may pose to the Academy in relation to deposits in excess of insured amounts. As of June 30, 2021, \$141,706 of the Academy's bank balance of \$391,706 was exposed to custodial credit risk because it was not fully covered by federal depository insurance. These deposits have a carrying value of \$362,498.

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

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

**MID-MICHIGAN LEADERSHIP ACADEMY
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - CASH DEPOSITS - CREDIT RISK (continued)

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

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

NOTE 3 - CAPITAL ASSETS

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

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021
Capital assets not being depreciated - land	\$ 211,000	\$ -	\$ -	\$ 211,000
Capital assets, being depreciated				
Buildings and improvements	926,297	51,027	-	977,324
Technology and equipment	208,517	10,848	-	219,365
Furniture and fixtures	257,627	25,272	-	282,899
Depreciable capital assets	<u>1,392,441</u>	<u>87,147</u>	<u>-</u>	<u>1,479,588</u>
Accumulated depreciation				
Buildings and improvements	456,598	53,525	-	510,123
Technology and equipment	154,254	13,385	-	167,639
Furniture and fixtures	152,749	13,871	-	166,620
Total accumulated depreciation	<u>763,601</u>	<u>80,781</u>	<u>-</u>	<u>844,382</u>
Net assets being depreciated	<u>628,840</u>	<u>6,366</u>	<u>-</u>	<u>635,206</u>
Net capital assets	<u>\$ 839,840</u>	<u>\$ 6,366</u>	<u>\$ -</u>	<u>\$ 846,206</u>

Depreciation for the fiscal year ended June 30, 2021 amounted to \$80,781. The Academy determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

**MID-MICHIGAN LEADERSHIP ACADEMY
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 - INTERGOVERNMENTAL RECEIVABLES

Receivables due from intergovernmental receivable at June 30, 2021 consist of the following:

State aid	\$ 589,606
Federal sources	<u>512,959</u>
	<u><u>\$ 1,102,565</u></u>

Receivables due from intergovernmental receivable include amounts due from federal, state and local sources for various projects and programs.

NOTE 5 - LONG-TERM OBLIGATIONS

The following is a summary of long-term obligation transactions of the Academy for the year ended June 30, 2021:

	Notes from Direct Borrowing and Direct Placements
Balance, July 1, 2020	\$ 96,463
Additions	-
Repayments	<u>54,431</u>
Balance, June 30, 2021	42,032
Due within one year	<u>42,032</u>
Due in more than one year	<u><u>\$ -</u></u>

Long-term obligations currently outstanding is as follows:

Notes from Direct Borrowings and Direct Placements

Purchase agreement with curriculum provider to be paid in yearly installments of \$42,032 through July 31, 2021.	<u><u>\$ 42,032</u></u>
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The Academy's outstanding noted from direct borrowing and direct placements related to governmental activities of \$42,032 contains provisions that in an event of default by failing to make payments within thirty days of payment dates. Upon the occurrence of a default event, the outstanding amounts shall accrue interest at a rate of 1.5% per month until pay, and the provider shall have the right to suspend any service or product rights until such time as all outstanding and overdue payments are made in full.

**MID-MICHIGAN LEADERSHIP ACADEMY
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - LONG-TERM OBLIGATIONS (continued)

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

Year Ending June 30,	Direct Borrowings and Direct Placements
<u>2022</u>	<u>Principal</u> <u>\$ 42,032</u>

NOTE 6 - OVERSIGHT FEES

The Academy pays an administrative oversight fee of 3% of its state school aid to Central Michigan University, as set forth by contract, to reimburse the University Board for the cost of execution of its oversight responsibilities. These oversight responsibilities include the monitoring of the Academy's compliance with the terms and conditions of the contract, and the review of its audited financial statements and periodic reports. During the year ended June 30, 2021, the Academy incurred expense of approximately \$88,570 for oversight fees.

NOTE 7 - LEASED EMPLOYEES

The Academy leases all of its employees from, Partner Solutions. Salaries, retirement, social security, health insurance, and unemployment taxes are the responsibility of Partner Solutions. Salaried employees are generally eligible to make retirement contributions with a 60 day waiting period. The plan does not cover hourly employees or employees covered by another retirement plan. The Academy has a 3% match and 4% contribution which resulting in contributions of approximately \$77,500 in 2021.

NOTE 8 - MANAGEMENT AGREEMENT

The Academy had a management agreement with CS Partners, LLC, d/b/a Partners Solutions for Schools for operations of the Academy through June 2022. Under the terms of the management agreement, CS Partners, LLC, d/b/a Partners Solutions for Schools' compensation for operating the Academy was 10% of its state school aid or \$284,712 for the fiscal year 2021.

NOTE 9 - RISK MANAGEMENT

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

**MID-MICHIGAN LEADERSHIP ACADEMY
NOTES TO FINANCIAL STATEMENTS**

NOTE 10 - CONTINGENT LIABILITIES

Amounts received or receivable from grant agencies are subject to audit and adjustments by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

NOTE 11 - UPCOMING ACCOUNTING PRONOUNCEMENTS

Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, was issued by the GASB in June 2017 and will be effective for the Academy's 2022 year end. The objective of this Statement is to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use the underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

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

REQUIRED SUPPLEMENTARY INFORMATION

**MID-MICHIGAN LEADERSHIP ACADEMY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2021**

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Local sources	\$ 6,500	\$ 1,000	\$ 1,838	\$ 838
State sources	2,811,457	3,257,183	3,256,290	(893)
Federal sources	222,901	689,562	565,025	(124,537)
Incoming transfers	140,000	226,478	242,657	16,179
TOTAL REVENUES	3,180,858	4,174,223	4,065,810	(108,413)
EXPENDITURES				
Instruction				
Basic programs	1,005,261	1,752,287	1,566,508	185,779
Added needs	405,558	517,549	437,782	79,767
Total instruction	1,410,819	2,269,836	2,004,290	265,546
Support services				
Pupil	171,727	236,396	243,537	(7,141)
Instructional staff	178,783	80,545	63,112	17,433
General administration	408,574	471,355	475,052	(3,697)
School administration	137,611	262,251	254,160	8,091
Business services	68,252	76,157	76,248	(91)
Operation and maintenance	380,164	555,924	501,424	54,500
Pupil transportation	205,500	180,000	137,078	42,922
Central support services	84,136	82,070	86,232	(4,162)
Other support services	5,500	1,500	-	1,500
Total support services	1,640,247	1,946,198	1,836,843	109,355
Community service activities	18,287	26,840	14,857	11,983
TOTAL EXPENDITURES	3,069,353	4,242,874	3,855,990	386,884
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	111,505	(68,651)	209,820	278,471
OTHER FINANCING SOURCES (USES)				
Principal repayments on debt	-	-	(54,431)	(54,431)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	(54,431)	(54,431)
NET CHANGE IN FUND BALANCE	\$ 111,505	\$ (68,651)	155,389	\$ 224,040
FUND BALANCE				
Beginning of year			1,046,190	
End of year			<u>\$ 1,201,579</u>	

ADDITIONAL SUPPLEMENTARY INFORMATION

**MID-MICHIGAN LEADERSHIP ACADEMY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2021**

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Pass- through Grantor's Number	Approved Grant Award Amount	Accrued (unearned) Revenue 7/1/2020	(Memo Only) Prior Year Expenditures	Adjustments	Current Year Expenditures	Current Year Cash Receipts	Accrued (unearned) Revenue 6/30/2021
<u>U.S. Department of Agriculture</u>									
Passed through Michigan Department of Education									
Child Nutrition Cluster									
Non-cash assistance (donated foods)									
National School Lunch Program - Entitlement	10.555	N/A	\$ 12,868	\$ -	\$ -	\$ -	\$ 9,273	\$ 9,273	\$ -
National School Lunch Program - Bonus		N/A	302	-	-	-	302	302	-
Total non-cash assistance			13,170	-	-	-	9,575	9,575	-
Cash Assistance									
National School Lunch Program	10.555	201960	4,284	-	-	-	4,284	4,284	-
Total CFDA #10.555			17,454	-	-	-	13,859	13,859	-
School Breakfast Program	10.553	201970	2,689	-	-	-	2,689	2,689	-
Total CFDA #10.553			2,689	-	-	-	2,689	2,689	-
Summer Food Service Program for Children	10.559	210904	277,499	-	-	-	279,413	213,569	65,844
Summer Food Service Program for Children		200900	13,864	-	-	-	13,864	13,864	-
Total CFDA #10.559			291,363	-	-	-	293,277	227,433	65,844
Total cash assistance			298,336	-	-	-	300,250	234,406	65,844
Total Child Nutrition Cluster			311,506	-	-	-	309,825	243,981	65,844
Fresh Fruit and Vegetable Program	10.582	200950	1,149	-	-	-	1,149	1,149	-
Fresh Fruit and Vegetable Program		210950	13,842	-	-	-	8,677	8,628	49
Total CFDA #10.582			14,991	-	-	-	9,826	9,777	49
Total U.S. Department of Agriculture			326,497	-	-	-	319,651	253,758	65,893

**MID-MICHIGAN LEADERSHIP ACADEMY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2021**

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Pass- through Grantor's Number	Approved Grant Award Amount	Accrued (unearned) Revenue 7/1/2020	(Memo Only) Prior Year Expenditures	Adjustments	Current Year Expenditures	Current Year Cash Receipts	Accrued (unearned) Revenue 6/30/2021
<u>U.S. Department of Education</u>									
Passed through Michigan Department of Education									
Title I Grants to Local Educational Agencies	84.010	211530-2021	\$ 226,972	\$ -	\$ -	\$ -	\$ 179,391	\$ -	\$ 179,391
Title I Grants to Local Educational Agencies		201530-1920	290,614	92,853	-	-	-	92,853	-
Total CFDA #84.010			517,586	92,853	-	-	179,391	92,853	179,391
Supporting Effective Instruction State Grants	84.367	210520-2021	31,767	-	-	-	30,155	-	30,155
Supporting Effective Instruction State Grants		200520-1920	23,268	5,588	-	-	-	5,588	-
Total CFDA #84.367			55,035	5,588	-	-	30,155	5,588	30,155
Student Support and Academic Enrichment	84.424	210750-2021	18,804	-	-	-	17,457	-	17,457
Education Stabilization Fund									
COVID-19 Governor's Emergency Education Relief Fund (GEER I)	84.425C	201200-2021	33,087	-	-	-	33,087	-	33,087
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER I)	84.425D	203710-1920	162,588	-	-	-	162,588	-	162,588
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER Education Equity Funds)	84.425D	203720-1920	24,388	-	-	-	24,388	-	24,388
Total CFDA #84.425 and Education Stabilization Fund			220,063	-	-	-	220,063	-	220,063
Total passed through Michigan Department of Education			811,488	98,441	-	-	447,066	98,441	447,066
Total U.S. Department of Education			811,488	98,441	-	-	447,066	98,441	447,066
<u>U.S. Department of Health and Human Services</u>									
Passed through Ingham Intermediate School District									
Medicaid Cluster									
Medical Assistance Program	93.778	20/21	423	-	-	-	423	423	-
Total U.S. Department of Health and Human Services			423	-	-	-	423	423	-
<u>U.S. Department of Treasury</u>									
Passed through Michigan Department of Education									
COVID-19 Coronavirus Relief Funds	21.019	11(p)	113,540	-	-	-	113,540	113,540	-
COVID-19 Coronavirus Relief Funds		103(2)	3,996	-	-	-	3,996	3,996	-
Total CFDA #21.019 and U.S. Department of Treasury			117,536	-	-	-	117,536	117,536	-
TOTAL FEDERAL AWARDS			\$ 1,255,944	\$ 98,441	\$ -	\$ -	\$ 884,676	\$ 470,158	\$ 512,959

**MID-MICHIGAN LEADERSHIP ACADEMY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2021**

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of Mid-Michigan Leadership 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 (CFR) 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 Mid-Michigan Leadership Academy, it is not intended to and does not present the financial position or changes in net position of Mid-Michigan Leadership Academy.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts (if any) shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available. Mid-Michigan Leadership Academy has elected to not use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Management has utilized the NexSys Cash Management System and the Grant Auditor Report in preparing the Schedule of Expenditures of Federal Awards. The Academy does not pass-through federal awards.

NOTE 3 - RECONCILING WITH AUDITED FINANCIAL STATEMENTS

Federal expenditures are reported as revenue in the following funds in the financial statements for the period ending June 30, 2021:

General fund	\$ 565,025
Other nonmajor governmental funds	<u>319,651</u>
Expenditures per schedule of expenditures of federal awards	<u><u>\$ 884,676</u></u>

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
Mid-Michigan Leadership Academy

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mid-Michigan Leadership Academy as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Mid-Michigan Leadership Academy's basic financial statements and have issued our report thereon dated October 27, 2021.

Internal Control Over Financial Reporting

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

Maney Costeiran PC

October 27, 2021

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

To the Board of Directors
Mid-Michigan Leadership Academy

Report on Compliance for Each Major Federal Program

We have audited Mid-Michigan Leadership Academy's compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of Mid-Michigan Leadership Academy's major federal programs for the year ended June 30, 2021. Mid-Michigan Leadership Academy's major federal programs are identified in the summary of auditor's 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.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Mid-Michigan Leadership 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 (CFR) 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 Mid-Michigan Leadership 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 unmodified opinion on compliance for major federal programs. However, our audit does not provide a legal determination of Mid-Michigan Leadership Academy's compliance.

Opinion on Each Major Federal Program

In our opinion, Mid-Michigan Leadership 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 Mid-Michigan Leadership 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 Mid-Michigan Leadership 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 Mid-Michigan Leadership Academy's internal control over compliance.

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 a 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. *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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

Maney Costeiran PC

October 27, 2021

**MID-MICHIGAN LEADERSHIP ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2021**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued based on financial statements prepared in accordance with generally accepted accounting principles:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X None
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X None

Federal Awards

Internal control over major programs:

- Material weakness(es) identified: _____ Yes X None
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ Yes X None reported

Type of auditor's report issued on compliance for major programs: *Unmodified*

Any audit findings that are required to be reported in accordance with Title 2 CFR Section 200.516(a)? _____ Yes X No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
21.019 10.553, 10.555, and 10.559	COVID-19 Coronavirus Relief Funds Child Nutrition Cluster

Dollar threshold used to distinguish between type A and type B \$ 750,000

Auditee qualified as low-risk auditee? _____ Yes X No

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Question Costs

None

**MID-MICHIGAN LEADERSHIP ACADEMY
SCHEDULE OF PRIOR YEAR FINDINGS
YEAR ENDED JUNE 30, 2021**

The Academy was not required to be audited under the Uniform Guidance in the prior year.

October 27, 2021

To the Board of Education
Mid-Michigan Leadership Academy

In planning and performing our audit of the financial statements of Mid-Michigan Leadership Academy as of and for the year ended June 30, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered Mid-Michigan Leadership Academy' internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, during our audit, we noted one matter involving the internal control and other operational matters that is presented for your consideration. This letter does not affect our report dated October 27, 2021 on the financial statements of Mid-Michigan Leadership Academy. We will review the status of this comment during our next audit engagement. Our comment and recommendation, which has been discussed with appropriate members of management, is intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss this comment in further detail at your convenience, perform any additional study of this matter, or assist you in implementing the recommendation. Our comment is summarized as follows.

Food Service Fund Balance

Per Michigan Department of Education (MDE) guidelines, school food authorities (SFA) must operate food services on a nonprofit basis. We noted that the food service fund balance exceeded the three months' operating expenditures allowed. MDE requires that the SFA spend down the excess by the end of the next school year. We recommend that Mid-Michigan Leadership Academy develop a plan to spend down the excess by June 30, 2021.

This report is intended solely for the information and use of management, and others within the Academy, and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the cooperation we received from your staff during our engagement and the opportunity to be of service.

Very truly yours,

Maner Costerisan PC

October 27, 2021

To the Board of Education
Mid-Michigan Leadership Academy

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mid-Michigan Leadership Academy for the year ended June 30, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and OMB's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Mid-Michigan Leadership Academy are described in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during fiscal year 2021. We noted no transactions entered into by the Academy during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's determination of the estimated life span of the capital assets.

We evaluated the key factors and assumptions used by management to develop the estimated life span of the capital assets in determining that it is reasonable in relation to the financial statements taken as a whole. In addition, certain amounts included in capital assets have been estimated based on an outside appraisal company.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. We did not identify any sensitive disclosures.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 27, 2021.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Academy's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Academy's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the required supplementary information (RSI) which are required and supplement the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the other supplementary information, which accompany the financial statements but are not RSI. With respect to this other supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the other supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of the Board of Education and management of Mid-Michigan Leadership Academy and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Maney Costeiran PC